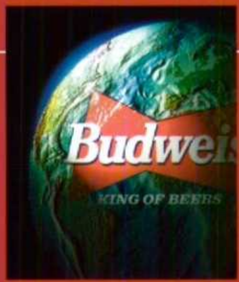
Anheuser-Busch Companies, Inc.


ANNUAL REPORT 1996

# The World's Beer Company




## Vision

Anheuser-Busch Companies, Inc. is the world's largest brewer and holds a 45.2% market share in the U.S. But the world beer market, which is four times larger than the domestic market, offers tremendous potential for growth—and Anheuser-Busch is aggressively tapping this opportunity. Budweiser is making inroads from China to Argentina, from Ireland to Japan, and in more than 80 countries in between. Which is to be expected from an organization that has set its sights on becoming the world's beer company.

In keeping with this global vision, key operations review information in this year's annual report is presented in four languages—English, Japanese, Mandarin and Spanish—representing regions of the world where Budweiser has a strong presence or has made a significant investment.

## 展望

安海斯布希公司(Anheuser-Busch Companies, Inc.)是世界上最大的啤酒厂，其在美国市场的占有率是45.2%。然而，全世界的啤酒市场比国内的市场大四倍，成长潜力非常大，安海斯-布希正积极地要敲开此机会之门。百威啤酒正积极地抢攻市场，从中国到阿根廷，从爱尔兰到 日本，中间还有80多个国家。对一个立志要成为全世界的啤酒公司的组织而言，这是理所当然的。

为配合此一世界观，今年年报的主要营运评论报告以四种语文刊出—英文、日文、中文和西班牙文—在这些地区百威啤酒有强劲的市场或有显著的投资。

## ビジョン

アンハイザーブッシュ・カンパニー株式会社は、アメリカ市場の45.2%を占める世界最大のビール醸造会社です。しかし、アメリカ国内市場の４倍の大きさを持つ世界ビール市場には、巨大な成長の潜在性があり、アンハイザーブッシュは、このビジネスチャンスを積極的に開拓しています。バドワイザーは、中国からアルゼンチン、アイルランドから日本にわたる、80カ国以上へ進出しています。これも世界のビール会社を目指す企業には、当然期待されるべきことです。

このグローバルなビジョンを明記するために、今年の年次報告書の重要な業務情報は、バドワイザーの存在が強固な地域、またはバドワイザーが多額の投資をした地域を代表する、英語、日本語、中国語、スペイン語の４カ国語で用意されました。

## Visión

*Anheuser-Busch Companies, Inc., es la compañía cervecera más grande del mundo y tiene una participación de mercado en los Estados Unidos del 45,2%. Sin embargo, el mercado mundial de cerveza, que es cuatro veces más grande que el nacional, ofrece un enorme potencial de crecimiento, y Anheuser-Busch está aprovechando de manera emprendedora esa oportunidad. Budweiser se vende en países como: China, Argentina, Irlanda, Japón y en otros 80 países más. Lo cual es de esperarse de una empresa que se ha trazado como meta convertirse en "la compañía cervecera del mundo".*

*De acuerdo con esta visión global, en el informe anual de este año se incluye el resumen de las operaciones clave en cuatro idiomas: chino, español, inglés, y japonés, que representan las regiones del mundo donde Budweiser tiene una importante presencia, o ha hecho inversiones considerables.*

# 1996 Financial Highlights of Continuing Operations *(See Note 3)*

*Except where noted, the financial results presented below include the impact of 1996 and 1995 nonrecurring special items (See Notes 1 and 2).*

*To facilitate further evaluation and understanding of the company's financial results, data excluding the nonrecurring items are disclosed in the Letter to Shareholders beginning on the next page and in Management's Discussion and Analysis beginning on page 34.*

(In millions, except where noted)

| Year Ended December 31, | 1996 | 1995 | % Change |
|---|---|---|---|
| Barrels of beer sold | 91.1 | 87.5 | 4.1 |
| Gross sales | $12,621.5 | $12,004.5 | 5.1 |
| Excise taxes | 1,737.8 | 1,664.0 | 4.4 |
| Net sales | 10,883.7 | 10,340.5 | 5.3 |
| Operating income | 2,083.8 | 1,632.9 | 27.6 |
| Pretax income | 1,892.9 | 1,461.7 | 29.5 |
| Income from continuing operations | 1,156.1 | 886.6 | 30.4 |
| Fully diluted earnings per share | 2.27 | 1.71 | 32.7 |
| Effective tax rate | 38.9% | 39.3% | (.4%) |
| ***EXCLUDING NONRECURRING ITEMS:*** | | | |
| Fully diluted earnings per share | $2.21 | $1.99 | 11.1 |
| Return on shareholders equity | 29.2% | 29.1% | .1% |
| Return on capital employed | 14.1% | 13.9% | .2% |
| Fixed charge coverage | 7.9x | 7.6x | .3x |
| Total assets | $10,463.6 | $10,590.9 | (1.2) |
| Long-term debt | 3,270.9 | 3,270.1 | — |
| Shareholders equity | 4,029.1 | 4,433.9 | (9.1) |
| Total debt to total capitalization ratio | 44.8% | 47.1% | (2.3%) |
| Capital expenditures | 1,084.6 | 952.5 | 13.9 |
| Depreciation and amortization | 593.9 | 565.6 | 5.0 |
| Common dividends paid | $458.9 | $429.5 | 6.8 |
| Per share | .92 | .84 | 9.5 |
| Total taxes | 2,682.8 | 2,441.5 | 9.9 |
| Weighted average shares outstanding: | | | |
| Primary | 505.8 | 515.7 | (1.9) |
| Fully diluted | 510.6 | 524.4 | (2.6) |
| Number of full-time employees | 25,123 | 25,181 | (.2) |
| Number of common shareholders | 65,079 | 64,118 | 1.5 |
| Closing stock price | $40 | $33 3/8 | 19.9 |

***Note 1:*** *1996 financial results include the impact of the $54.7 pretax gain on the sale of the St. Louis Cardinals.*

***Note 2:*** *1995 financial results include the impact of two unfavorable nonrecurring special items:*
*(1) a charge resulting from the closure of the Tampa brewery ($160 million, pretax).*
*(2) the impact of the company's decision to reduce beer wholesaler inventories by 1.1 million barrels, which resulted in lower net sales and operating profits. (Net sales were reduced by $107 million and operating profits were reduced by $74.5 million.)*

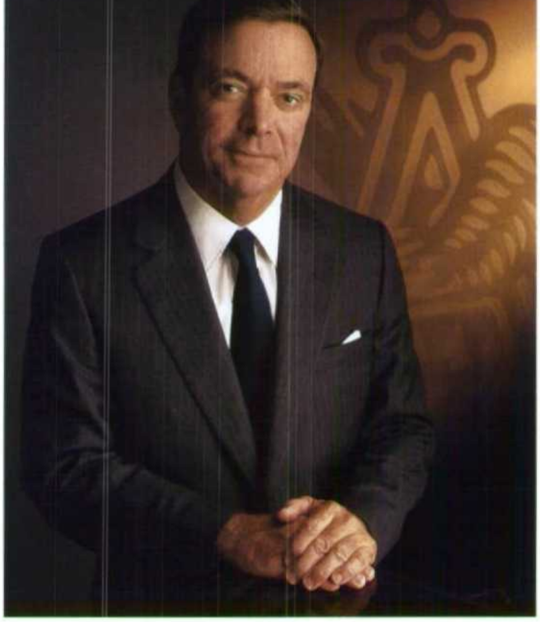
***Note 3:*** *All financial results presented above exclude the results of The Earthgrains Company (formerly known as Campbell Taggart) and Eagle Snacks, Inc. These companies are reported as discontinued operations for all years shown.*

***Note 4:*** *The total debt to total capitalization ratio shown for 1995 excludes the investment in discounted operations ($764.0) from the calculation.*

ANHEUSER-BUSCH COMPANIES, INC.

## Contents

*ANHEUSER-BUSCH'S STRATEGIC RESTRUCTURING MOVES HAVE ALLOWED US TO FOCUS ON OUR CORE BUSINESSES, RESULTING IN A RECORD YEAR FOR YOUR COMPANY.*



***August A. Busch III***
*Chairman of the Board and President*

**1996 Highlights**

- **Achieved double-digit earnings per share growth**
- **Achieved record gross sales of $12.6 billion and net sales of $10.9 billion**
- **Achieved record income from normalized continuing operations of $1.1 billion**
- **Achieved record beer sales volume of 91.1 million barrels**
- **Attained double-digit international beer volume growth**
- **Approved a two-for-one stock split**
- **Increased dividends for 22nd consecutive year**

1996年杰出表现

- 每股成长收益达两位数
- 创一百二十六亿美元的总销售额和一百零九亿美元的净销售额的最高记录
- 正常化持续营运收入达十一亿美元的最高记录
- 达九千一百一十万桶啤酒销售量的最高记录
- 国际市场啤酒成长量达两位数
- 同意将每一股分裂为两股
- 连续第二十二年增加股息

1996年ハイライト

・一株あたりの収益は二桁の増加を達成。

・総売上高の最高記録である126億ドル、また純売上高109億ドルを達成。

・正常化された連続営業で収入の最高記録である11億ドルを達成。

・ビール販売量の最高記録である9,110万バレルを達成。

・国際ビール売上げ高の二桁成長を達成。

・一株二分割の株式分割を承認。

・22年間連続の配当額増加。

Puntos Destacado de 1996

- *Se obtuvieron ganancias por acción con cifra de doble dígito*
- *Las ventas brutas ascendieron a un nuevo récord de 12,6 mil millones de dólares y las ventas netas a 10,9 mil millones de dólares*
- *Los ingresos originados de operaciones continuas normalizadas ascendieron a un nuevo record de 1,1 mil millones de dólares*
- *Se alcanzó también un nuevo récord de 91,1 millones de barriles en el volumen de ventas de cerveza*
- *El crecimiento del volumen de ventas de cerveza internacional ascendió a una cifra de doble dígito*
- *Se aprobó una subdivisión (split) de las acciones de una a dos*
- *Se incrementaron los dividendos por vigésimo segundo año consecutivo.*

*Dear Shareholders:*

1996 was a year of focus, aggressiveness and results in your company's race to the future. It was a record year for Anheuser-Busch and a year in which we were the only major brewer to increase both market share and sales volume in the U.S. Highlights of your company's strong performance include:

- Double-digit earnings per share growth of 11.1% on a normalized basis
- Record gross sales of $12.6 billion and net sales of $10.9 billion
- Record net income from normalized continuing operations of $1.1 billion
- Record beer sales volume of 91.1 million barrels
- Significant enhancement of the company's leadership position in the U.S. beer industry with a year-end market share of 45.2%, an increase of 1.1 share points
- Double-digit growth in international beer volume
- Record attendance and profits at Busch Entertainment theme parks for the fifth consecutive year
- Record sales volume and expanded market share at Metal Container Corporation

During 1996, we began to benefit from strategic restructuring moves initiated in 1995. We completed the sale of the St. Louis Cardinals baseball team and the spin-off of The Earthgrains Company (formerly Campbell Taggart, Inc.)—actions we took because we believed they best served the interests of not only Anheuser-Busch but of each individual company as well. By the end of the year, the value of Earthgrains stock distributed to our shareholders had increased 72%. And the Cardinals advanced to become the National League's Central Division champions. We also exited the snack business by selling the majority of the assets of Eagle Snacks, Inc.

Today, Anheuser-Busch is a company more focused on what it does best: beer, packaging and theme park entertainment. Together, these core businesses represent the most significant opportunities for our long-term growth and competitive advantage.

### *Strong Performance*

Our restructuring has paid dividends in many ways, including improved stock performance. Since we announced the first of these initiatives in July 1995, Anheuser-Busch stock has achieved a cumulative return of about 51%, compared to the S&P 500 Index's return of 36%. The significant price appreciation of our stock prompted the Board of Directors to approve a two-for-one stock split during the third quarter, reinforcing our confidence in the company's sustainable growth outlook.


*"In 1996, while the competition was losing ground, Anheuser-Busch was the only major U.S. brewer to increase market share and sales volume--an industry first."*

Every action taken by your company's management is guided by one overriding objective—enhancing shareholder value. That is our mandate, and it remains the No. 1 priority in all areas of our business. Setting aggressive performance objectives is one of the keys to enhancing shareholder value. As a result, we target double-digit earnings per share growth.

We also focus on the use of the company's significant cash flow. Our priorities are first, continued profitable reinvestment in our core businesses; and second, making substantial cash payments directly to shareholders through continued dividend payments and our stock repurchase program. In keeping with this second priority, in 1996 the Board of Directors increased dividends for the 22nd consecutive year and authorized a new 50 million share repurchase program.

### *Unsurpassed Quality*

Another way that we enhance shareholder value is through our unwavering commitment to quality. Steeped in our rich heritage and tradition, this commitment is evident in every phase of our business: selection of the choicest ingredients, an uncompromising brewing process, innovative packaging, and superior sales and marketing. Our wholesalers protect the quality of our products through refrigerated warehouses, rotation of products, and excellent delivery and retailer services.

Our commitment to quality extends far beyond our beer operations...permeating every aspect of each of our businesses. From products to services to relationships, quality is of utmost importance.

### *Unparalleled Leadership*

Quality is what has made Anheuser-Busch the beer industry leader and given us a commanding lead in the U.S. market for more than four decades. In 1996, while the competition was losing ground, Anheuser-Busch was the only major U.S. brewer to increase market share and sales volume—an industry first. We entered 1997 with a 45.2% share of the market—more than double that of our closest competitor.

We have set a goal of attaining a 60% share of the U.S. market. It is an aggressive goal. But it represents a challenge that requires us to operate at the highest level and reach our fullest potential.

One key driver of optimal performance involves our family of Anheuser-Busch wholesalers. We have committed significant resources to provide incentives to wholesalers to encourage them to carry only Anheuser-Busch products. In other words, we want 100% of their focus—100% share of mind. Over the past 10 years, Anheuser-Busch volume growth rates with exclusive wholesalers have exceeded those who are nonexclusive by about 1% per year. We believe that an increased focus on Anheuser-Busch brands will drive volume and result in higher sales and market share.

We will continue to ensure that we have the freshest beer in the market by maintaining the lowest inventory levels of all major brewers. Freshness, which is perhaps the most critical element affecting beer taste and drinkability, offers Anheuser-Busch a unique competitive advantage and will remain a key initiative in 1997. Our "Born On" date, introduced in 1996, is our guarantee of brewery-fresh taste and is being well received by retailers and consumers. Anheuser-Busch alone is uniquely positioned to deliver the freshest beer to the market with 12 breweries around the U.S.

Our superior quality products will be supported by a competitive pricing strategy. In 1996, the company's overall pricing strategy and continued productivity improvements produced substantially higher beer margins, with gross profit as a percentage of sales increasing 1.3 points to 36.0%.

Anheuser-Busch's unparalleled success in the U.S. makes possible global expansion, which offers the best opportunity for significant long-term growth.

### *World's Beer Company*

The cover of this year's annual report makes a visual statement about where our company is heading. Anheuser-Busch intends to be the world's beer company. We are already the world's largest brewer with just over 8% share of the world's beer market. But being the world's beer company is more than just being the biggest.

In 1996, U.S. beer industry sales represented approximately 200 million barrels; of that amount, Anheuser-Busch sold a record 91.1 million barrels. The world beer market is more than 1 billion barrels.

This translates into tremendous opportunities for global growth. It also means we have a great deal of work to do. For us to become the world's beer company, we must behave as we did in the infancy of Anheuser-Busch—with the hunger and passion of the small company of our past.

Anheuser-Busch alone is able to draw upon a tradition and history of tremendous success in the world's largest beer market, the U.S. But we recognize that in our zeal to repeat our success globally, we must be willing to discover and appreciate the uniqueness of each market. We must listen, learn and act.

We are bringing significant resources to bear to grow Budweiser as a global brand. In many cases, we have been able to draw from the depth and diversity of our existing workforce, which includes people who understand other cultures and who speak a variety of languages. We are also actively communicating our global vision to employees, all of whom must understand the important role that global expansion will play in our future. I frequently travel to our international operations and meet with our partners and they, in turn, visit our operations.


"ANHEUSER-BUSCH INTENDS TO BE THE WORLD'S BEER COMPANY...WE CONTINUED TO MAKE SUBSTANTIAL INVESTMENTS IN CHINA, WHICH IS EXPECTED TO SURPASS THE U.S. AND BECOME THE WORLD'S LARGEST BEER MARKET BY 2005."

In 1996, we made significant progress in expanding our international presence.

When Anheuser-Busch purchased a 17.7% direct and indirect interest in Mexico's largest brewer, Grupo Modelo, and its Diblo subsidiary in 1993, we also secured options to purchase a larger equity position up to 50.2% These options can be exercised anytime between now and the end of 1997.

Last December, your Board of Directors approved the purchase of an additional 25% of Grupo Modelo. That will bring Anheuser-Busch's total direct and indirect holdings in the company and its subsidiaries to 37%, with the contractual right to exercise the remaining options to increase our holdings to the full 50.2% by the end of this year.

There is currently a difference of opinion concerning certain purchase price adjustments, which the companies will resolve by following procedures spelled out in the investment agreement. We are optimistic that the transaction can be completed in the near future.

We also continued to make substantial investments in China, which is expected to surpass the U.S. and become the world's largest beer market by 2005. Our success in China is important to reaching our goal of global leadership. We currently have an 85% stake in a brewery in Wuhan, China's fifth-largest city. We began brewing Budweiser there in 1995, and sales have been so strong that we are expanding the facility ahead of schedule.

In 1996, we entered into agreements with new partners or expanded existing relationships with leading brewers in Brazil, Argentina, Japan, the Philippines, France, Switzerland, Italy and Ireland. Through our expanded partnership with Japan's No. 1 brewer, Kirin, we will begin brewing and distributing its products in the U.S. in 1997.

As we grow toward becoming the world's beer company, we will continue to leverage the synergies that exist between beer and our other core businesses—packaging and entertainment.

### *Endless Innovation*

Metal Container Corporation—the second-largest aluminum container manufacturer in the U.S.— is the quality benchmark against which other suppliers are measured. It is the industry's low-cost producer and helps control beer company packaging costs.

In 1996, Metal Container experienced record volume, expanded market share and received No. 1 customer quality ratings. The company's domestic sales increased, but weaker pricing in the can industry kept final results at the prior year's level.

Metal Container continues to invest in the beverage business to lower operating costs and grow market share. The company strives for constant innovation to develop products that create excitement in the marketplace. A new Technology Center will help the company explore alternative packaging options that will add value to its customers and the consumer.

### *Exceeding Expectations*

At Busch Entertainment Corporation's Sea World and Busch Gardens parks, the bottom line also equals fun and education. Attendance is at record levels and profits have grown at double-digit rates to nearly $100 million. Exciting attractions planned for 1997—including the first roller coaster in a Sea World park—will amaze and enrich our guests, many of them international visitors.

*"ANHEUSER-BUSCH EMPLOYEES UNDERSTAND THAT TO BE PRODUCTIVE AND SUCCESSFUL IN THE NEXT CENTURY, THEY MUST BE ABLE TO FUNCTION IN AN ENVIRONMENT OF RAPID AND SOMETIMES RADICAL CHANGE."*

More than 1 million people each month experience our parks on-line through the Sea World/Busch Gardens animal information database on the Internet. Sea World's commitment to animal rescue and rehabilitation, as well as its research efforts, is also highlighted.

Importantly, our parks provide a quality setting to showcase Anheuser-Busch products, alcohol awareness and education programs, and environmental efforts.

### *World-Class People*

We are confident of our ability to generate greater performance, profit growth and shareholder value because we have the best people. Without the dedicated efforts of our employees, success is not possible.

Anheuser-Busch employees understand that to be productive and successful in the next century, they must be able to function in an environment of rapid and sometimes radical change. We must ensure that we have a continual source of the kind of innovative thinking needed to create and shape our own future—and get there before our competition.

We are mobilizing a workforce of talented people at all levels of the organization and are investing significantly in training and development. We are encouraging more sharing of the best ideas, practices and experiences across divisions and continents. And we are identifying and preparing those who will lead the company in the future.

### *Making Friends*

As we pursue our aggressive objectives, we realize that we must be willing to change. But we must drive change rather than be driven by it. At the same time, it is important that we recognize those things that are worth keeping. Anheuser-Busch's longstanding credo, "Making Friends Is Our Business," is certainly one of them.

For more than a century, this motto has guided our behavior as a company. By putting the emphasis on relationships—with our employees, wholesalers, shareholders, business partners, customers and the communities in which we do business—we are reminded that people are what make us successful.

We believe in doing our part to help families and communities. Anheuser-Busch and its charitable foundation make donations each year to programs providing educational opportunities and organizations such as disaster relief agencies, cultural institutions and hospitals. We believe doing these things is not only our responsibility, but good business.

### *Promoting Responsibility*

As we move into the next century, another conviction that will not change is our commitment to promoting the responsible consumption of our products. We have a history of doing so, reaching back nearly 100 years.

Since 1982, we have invested nearly $200 million in programs encouraging adults to drink responsibly and in fighting underage drinking and drunk driving. And we are sharing our awareness and responsibility efforts as we work with partners in countries around the world.

### *Vision and Value*

There is, literally, a whole world of opportunity ahead of us and we intend to make the most of it. As we pursue our vision of being the world's beer company, we are committed to creating and enhancing shareholder value.

Our anticipation is great and our expectations high as we work to create the future we imagine:

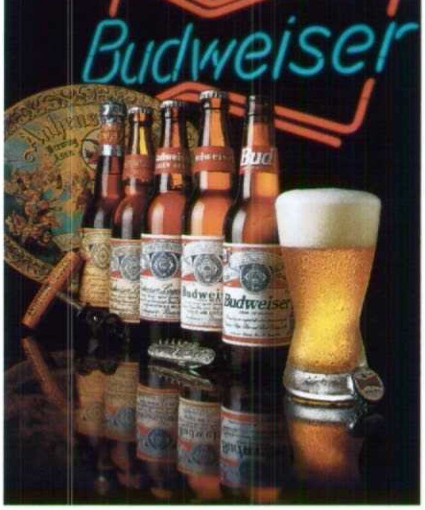
*Everywhere around the globe, the A&Eagle and Budweiser bowtie symbolize experiencing and celebrating the good things in life. . . a family gathering in Beijing. . . a team's victory in Buenos Aires. . . a thrilling roller coaster ride in Tampa. . . a friend's promotion in Tokyo. . .the end of the work day in London. . . dinner for two in Dublin. . . or simply sitting down with a friend wherever home may be.*

In 1997 and beyond, we will keep our eye on our financial goals and be our own toughest competitor. We will think and act differently and find more ways to brew, distribute and sell more beer than ever before. We will be aggressive, nimble, flexible. . . and when necessary, patient. And finally, as we work hard every day to create the future we want to enjoy. . . we will have fun getting there.

August A. Busch III
Chairman of the Board and President
February 5, 1997

## Domestic Beer Operations

*Market share gain and accelerated volume growth characterized our domestic beer company's performance in 1996, laying the groundwork for our 60% domestic market share objective.*




**1996 Highlights**

- **Achieved record sales volume and profit contribution**
- **Increased market share by 1.1% to 45.2%**
- **Implemented Olympics program throughout the Anheuser-Busch system**
- **Introduced freshness program and "Born On" dating, benefiting retailers and consumers**
- **Announced program to provide incentives to wholesalers who exclusively distribute Anheuser-Busch brands**

1996年のハイライト

・売上高及び利益の寄与率の最高記録を達成。

・市場シェアは1.1%増加、45.2%に。

・アンハイザーブッシュ・システム全体に、オリンピック・プログラムを実施。

・小売店及び消費者のためのフレッシュネス・プログラムとビールの「誕生日」記載を導入。

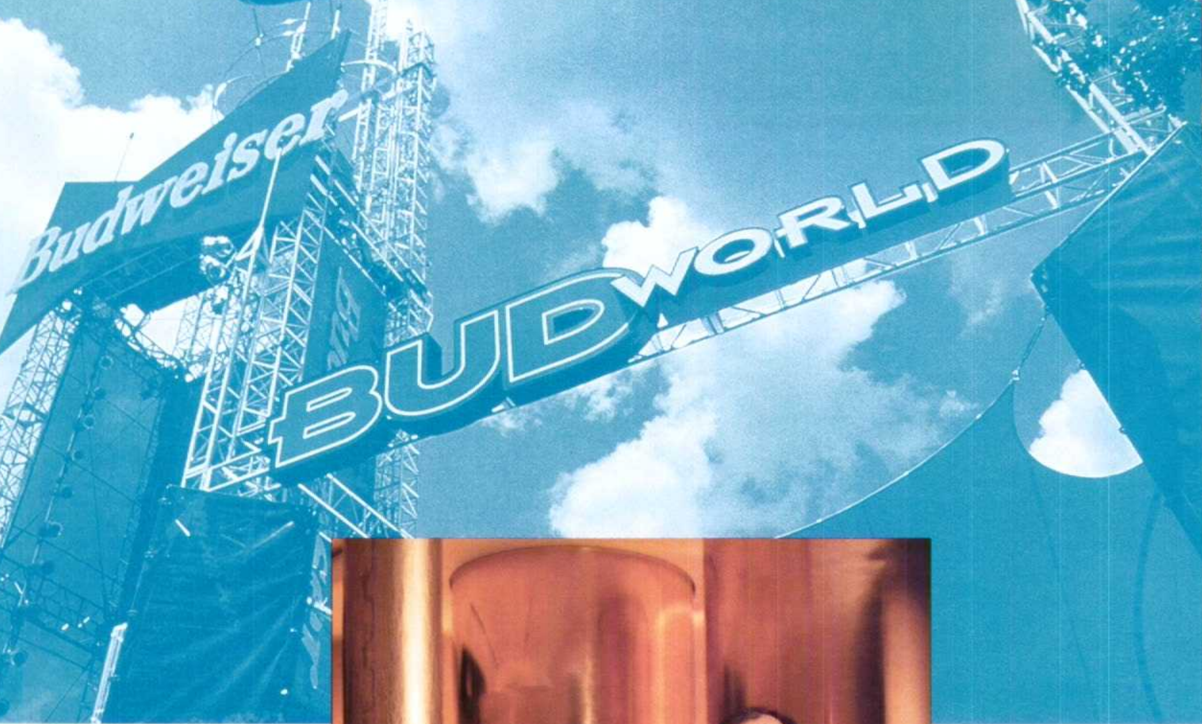
・アンハイザーブッシュのブランドのみを取り扱う卸し業者を奨励するプログラムを発表。

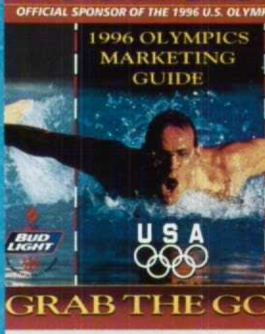
1996年杰出表现

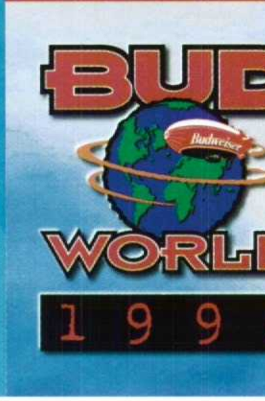
- 销售量和利润分摊达最高记录
- 市场占有率增加1.1%至45.2%
- 在整个安海斯-布希系统内实行奥林匹克计划
- 引进新鲜计划和啤酒"出生"日期，对零售商和消费者都有利
- 宣布对只批发安海斯-布希品牌的批发商提供奖励计划

Puntos Destacados de 1996

- *Se alcanzó un nuevo récord en el volumen de ventas y en el aporte de utilidades*
- *Se incrementó la participación de mercado en 1,1% alcanzando un 45,2%*
- *Se implementó el programa Olímpico en todo el sistema de Anheuser-Busch*
- *Se introdujo el programa de frescura y "la Fecha de Nacimiento" de la cerveza que benefician a minoristas y consumidores*
- *Se anunció un programa que ofrece incentivos a distribuidores mayoristas que únicamente manejan marcas de Anheuser-Busch*



***Q.* How would you characterize Anheuser-Busch, Inc.'s 1996 performance?**

**A.** Strong. It was a year in which we built on the long-term decisions made in '95 that effectively focused our company on beer, packaging and entertainment. In particular, our inventory reduction last year allowed us to offer consumers the freshest beer in the industry, which gave us a significant competitive advantage. We also successfully executed marketing plans designed to achieve volume and share growth while at the same time increasing profit margins.

***Patrick T. Stokes***
*President, Anheuser-Busch, Inc.*

***Q.* What were the beer company's most significant accomplishments in 1996?**

**A.** Achieving market share gains and accelerated volume growth while increasing the industry's margin pool top the list and indicate that recent domestic beer company initiatives and marketing efforts are working.

Our Olympic involvement is one example of a highly successful, fully integrated marketing effort. As one of only 10 official Centennial Olympic Games Partners, we had a major presence before and during the Games. We spent more than $100 million on a marketing effort that included advertising, sales promotion, special packaging, merchandising, premium offers, sweepstakes and on-site activities like Bud World, which was located in Centennial Olympic Park. Millions of consumers worldwide were exposed to our products through these promotional activities, most of which occurred during the key beer-drinking season. The Games were broadcast in 196 countries, with a potential reach of more than 90%—or 800 million—of the global TV households. According to one marketing consulting firm, the day after the closing ceremonies Budweiser had the No. 1 recall of all products advertised during the Olympics. So we believe our $100 million investment paid significant dividends.

We also continued to build on the strength of our core brands during 1996. Research shows that our flagship brand, Budweiser—the No. 1 seller in the U.S. beer market—is making inroads in the key contemporary adult market. Trends for Bud Light, the No. 1 brand in the light beer category, are extremely strong, with sales growth in the mid-teens, and Bud Ice contributed positively to volume growth this year. Ice beer is a stable and significant market, so Bud Ice's performance is especially significant. Overall,

both the Bud and Michelob Families made a positive contribution to premium volume growth.

We also introduced a major new initiative with our innovative freshness campaign.


*Q. What was the biggest challenge for the beer company in 1996?*

**A.** Handling so many new initiatives, including introducing new brands, coordinating our Olympic involvement, creating and launching the freshness campaign, and developing a policy to incent wholesalers to exclusively handle our beers. I'll discuss these topics in more detail later, but for now, suffice it to say that 1996 was a busy year.

*Q. Would you comment on Budweiser trends?*

**A.** Budweiser remains the world's best-selling beer and holds a 60% share in the regular premium beer segment in the U.S. In a study done for Financial World magazine Budweiser is ranked as the third-most-valuable brand franchise in the world for consumable products. So clearly the brand is in a very strong position.


At the same time, we are not satisfied with the growth trends for Budweiser, and improving those trends will be our No. 1 priority for 1997.

Our research has told us that the contemporary adult market—minimum age to 27, and specifically the 21-24-year-old group—is our challenge for the brand. So we have adjusted our focus to reach this audience and developed strong advertising designed to appeal to this age group. The results to date have been excellent. Among 21 to 24-year-olds, Budweiser advertising recall has broken the 60% mark. That is the highest unaided recall in the brand's history, and the decline in Budweiser has slowed in the majority of the country.

We believe we are on the right track to laying the groundwork for renewed growth for the brand and will continue to focus our efforts on that objective.

*Q. Bud Light has been a phenomenal performer. How will you sustain this?*

**A.** Bud Light truly is a success story, moving from underdog status when it was introduced in 1982 to become the world's best-selling light beer in 1994. That's quite an achievement.

The brand is definitely "hot," and we intend to maintain its double-digit growth pattern. Advertising is a key factor. Humor is a hallmark of Bud Light advertising, and we have continued that emphasis in our new spots.

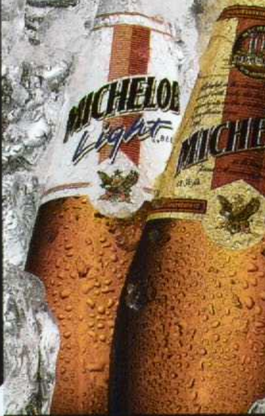
In addition, we have developed a geographic focus for the brand, giving it local appeal. We have been particularly successful with this approach for the last two years in Texas, the nation's No. 2 beer market. The brand grew 25% in 1995 and another 25% in 1996. We are using this approach in a number of other markets around the country and will continue to look for opportunities to localize the brand.

*Q. The Michelob Family was in a decline for a number of years, but made a strong showing in 1996. How will you capitalize on this positive trend?*

**A.** The Michelob Family had a very good year in 1996, and we are using several strategies to enhance the resurgence of these brands.

First, we are working to revitalize the quality image of the domestic super-premium category, which Michelob owns, by developing new advertising to tie Michelob to special occasions.

In 1996 we leveraged the brand's quality heritage by celebrating Michelob's 100th anniversary with special packaging and promotions.



We will also continue to associate Michelob and Michelob Light with golf and skiing, which provide an appealing lifestyle image for these brands.

In addition, we will be focusing on revitalizing the brand's presence in on-premise accounts, like bars and restaurants.

Finally, we introduced a number of specialty Michelob line extensions in 1996, including Amber Bock, Centennial and HefeWeizen, a wheat beer. Amber Bock is doing well in national distribution and has the largest volume potential of these brands. Centennial was a "one-year" brand designed to celebrate the 100th anniversary of Michelob. HefeWeizen is enjoying success as a regional entry and we are looking at expansion plans for this brand in 1997.

Bottom line, the Michelob brand name is a major equity for Anheuser-Busch, and we see additional opportunities in 1997 to extend the Michelob line in the high-growth specialty beer category.

SPECIALTY BREWING GROUP
ANHEUSER-BUSCH

"DOMESTIC SPECIALTY PRODUCTS...ACCOUNT FOR ABOUT 6% OF INDUSTRY MARGIN--AND THE CATEGORY IS GROWING MORE THAN 20% ANNUALLY. WE NEED TO BE IN THIS MARKET TO TAKE ADVANTAGE OF ITS GROWTH AND PROFIT POTENTIAL."

***Q. Anheuser-Busch has also taken initiatives with malt liquor. What's driving this effort?***

**A.** More than 9 million barrels of malt liquor will be sold industrywide this year, and we want to capture our fair share of this category. Currently we have an 8% share, so we have plenty of room to grow.

We will use three strategically priced brands to do this—Michelob Malt at the high end, Hurricane Malt Liquor at mid-level pricing and King Cobra in the value segment. In April of 1996 we began testing this approach in 12 key markets, and to date we have doubled our share in these markets. Because of these positive results, in December of '96 we rolled out Hurricane to an additional 21 markets.

***Q. Is the specialty beer market still a priority?***

**A.** Bud and Bud Light are our first priority. But beyond that, specialty beers are definitely a priority. While domestic specialty products account for slightly less than 4% of industry volume, they account for about 6% of industry margin—and the category is growing more than 20% annually. We need to be in this market to take advantage of its growth and profit potential.

In addition, 80% of specialty volume is consumed by drinkers who regularly drink mainstream brands. So the favorable impressions of Anheuser-Busch generated by our specialty portfolio carry over and have a positive impact on our mainstream brands. That's another reason we need to be in the specialty business.

In the import category, one of our newest ventures is Rio Cristal, which is produced by our Brazilian partner,

Antarctica. We tested this product in several markets, and will expand distribution in the first quarter of 1997 to additional highly developed import markets representing about 20% of industry volume. In addition, in 1997 we will begin brewing and distributing beer in the U.S. for our Japanese partner, Kirin.

***Q. Isn't the brewing of such a wide variety of products in such small amounts inefficient?***

**A.** It can be. That's why we're implementing focused production. Using our system, small-volume products will be produced primarily at our Fort Collins, Baldwinsville and Cartersville breweries. This improves production efficiency by increasing production run times.

These products will then be supported by 48 wholesaler support facilities operated by, and located within, Anheuser-Busch wholesalers' facilities. The centers will receive pallet-sized shipments of small-volume items and reconfigure them for delivery to the ultimate wholesaler, resulting in a reduction in out-of-stock items. This process will also reduce freight costs for both Anheuser-Busch and its wholesalers.

Keep in mind that many of these specialty small-volume products are in a higher-priced beer category. They do not generally have large marketing budgets and they provide high margins, making them very profitable.

***Q. The company has announced a 60% domestic market share objective. Is this realistic?***

**A.** A 60% share is what we would call a "stretch" objective. It will require that we think nontraditionally, that we develop unconventional solutions to challenges, that in every aspect of our business we find new and different ways to brew, ship and sell more beer than ever before, and that we redefine the rules of competition in the U.S. beer business.

I should also point out that we already have more than a 60% market share in three states and our share in an additional 24 states exceeds 50%.

***Q. Does Anheuser-Busch have the capacity to support this kind of growth?***

**A.** We currently have sufficient capacity to support aggressive growth for the next several years. Beyond

that, we have a number of cost-effective alternatives open to us for capacity additions at our existing breweries.

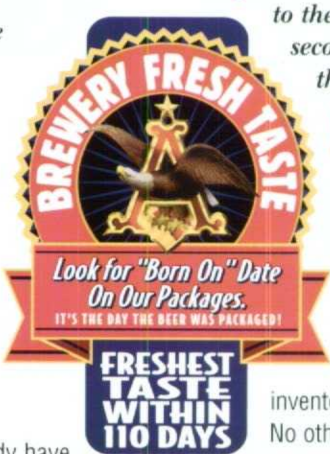
***Q. With industry growth relatively slow, increased market share will have to come from other brewers. Aren't competitors likely to respond by discounting in order to keep volume?***

**A.** That's possible. However, we believe that aggressive discounting is not a sustainable strategy, given the cost pressures facing our industry.

At the same time, it's absolutely critical to grow the industry margin pool. Sales success is meaningless without profitability. So our market share objective is balanced with industry margin pool growth.

Anheuser-Busch represents more than 50% of direct margin pool and more than 70% of operating profits. We are the primary beneficiary of industry margin pool growth, so it is in our best interest to protect margins.

***Q. The company devoted a significant amount of attention and media dollars to the freshness campaign during the second half of 1996. Would you explain the strategy behind this?***




**A.** The strategy is very simple. We are capitalizing on a competitive advantage we have that can't be matched by any other brewer. We have 12 regional breweries, the industry's most efficient distribution system, temperature controlled warehouses, the strictest shelf-life policy in the industry and the lowest inventory on America's fastest-selling products. No other brewer can compete with us in terms of freshness.

We've always known that the fresher the beer, the better it tastes. That's a fact. And if a product tastes better, people are inclined to choose that product over a competitive product—leading to increased sales.

Our 1.1-million-barrel reduction in year-end wholesaler inventories at the end of 1995 allowed us to enhance our freshness advantage. We began commu-

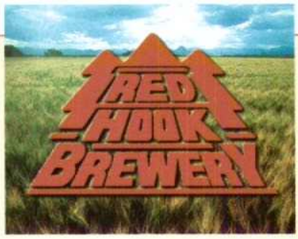

nicating this fact last summer by introducing easy-to-read "Born On" code dating on our packaging, which clearly indicates the day the beer was packaged and informs consumers that the beer is freshest within 110 days. So strongly do we believe in the importance of communicating our freshness message that for several weeks last fall we devoted all media dollars to this effort. We will continue to include this message in 1997 media.

***Q. In 1996 Anheuser-Busch devoted quite a bit of attention to the topic of wholesaler exclusivity. Could you explain this concept and why it is important?***

**A.** In simple terms, wholesaler exclusivity means that a wholesaler only carries beer products offered by Anheuser-Busch.

We believe that in order to maximize sales growth, we must have our wholesalers' "share of mind." We must make sure their attention is focused on our products. To put it simply, focus drives volume. Over the past 10 years Anheuser-Busch volume growth rates with exclusive wholesalers have exceeded those of nonexclusive wholesalers by about 1% annually. About 46% of our volume is sold through exclusive wholesalers.

In 1996 a joint brewer-wholesaler committee worked on ways to eliminate the barriers to exclusivity. The result was a recently implemented program providing significant incentives to wholesalers to exclusively handle Anheuser-Busch beer brands. It was also recognized that we must provide our wholesalers with a complete brand portfolio that meets the needs of the market. While we currently offer a broad selection of brands, we have enhanced our portfolio by entering into a distribution agreement with Redhook Ale Brewery to provide our wholesalers with high-quality legitimate microbrewed products. As I said earlier, we have also expanded our imports to include Kirin products, which will be produced at our Los Angeles brewery beginning in April 1997, and we are testing Rio Cristal, a Brazilian brand from Antarctica.




*"WHILE WE CURRENTLY OFFER A BROAD SELECTION OF BRANDS, WE HAVE ENHANCED OUR PORTFOLIO BY ENTERING INTO A DISTRIBUTION AGREEMENT WITH REDHOOK ALE BREWERY TO PROVIDE OUR WHOLESALERS WITH HIGH-QUALITY LEGITIMATE MICROBREWED PRODUCTS."*

These agreements demonstrate our commitment to provide wholesalers with a complete portfolio of beer brands, which should reduce their need to carry competitive brands.

Our exclusivity incentive program includes priority consideration for additional territory opportunities, additional days of credit, payment for incremental marketing activities and other marketing support, to name a few.

We realize that 100% exclusivity is not likely to happen, but we hope that ultimately our wholesaler partners will look very closely at the benefits of concentrating on Anheuser-Busch products vs. the benefits of carrying competing brands and, over time, move toward exclusivity.

***Q. What's on the horizon for 1997?***

**A.** We've already talked about some of the new brand initiatives—domestic production of Kirin, expanded distribution of Rio Cristal, new Michelob specialty brands and wider distribution for our malt liquors. We'll also be testing some regional specialty beers. We already have ZiegenBock in Texas, and in late 1996 we introduced Pacific Ridge Pale Ale to Northern California. These brands are designed to address consumer demand in specific markets, and we'll be developing more of them in the future.

In addition to new brands, in 1997 we will introduce a comprehensive music-related summer promotion for the Bud Family. In the past, we've sponsored concert tours or supported bands, but this takes our involvement with music to another level. It's a two-phase program. In the first phase, consumers can collect points when they buy Bud Family packages and redeem them for CDs selected from a catalogue offering hundreds of choices. In the second phase, we'll be giving away state-of-the-art music equipment and personal and home stereo systems through an in-pack sweepstakes similar to our successful Olympic-related promotion in 1996.

By the time this report goes to press, our 1997 Super Bowl program will be over, but it deserves mention because it was a first for us. We teamed up with Frito-Lay, tying beer and snacks together in a special promotion. Both Anheuser-Busch and Frito-Lay have a very strong presence in grocery stores, and by joining forces we were able to create even higher visibility for both products.


***Q. How will demographics affect industry growth for the remainder of the decade?***

**A.** In general, demographic trends point to higher volume growth. For example, minimum-age beer drinkers will begin to increase after 1997, which is a reversal of several years of decline. By the end of the decade, the number of 21-year-olds in the U.S. will increase 10%.

In addition, per-capita consumption for 45 to 54-year-olds is increasing as members of the baby boom generation maintain their beer consumption level to a greater degree than their predecessors.

Finally, per-capita consumption by women has grown 1.2% annually since 1991—up 5% in four years—and continues to increase.

These demographic trends give us confidence that industry growth will continue through the end of the decade.

***Q. What other factors will affect industry growth and profitability for the '90s?***

**A.** One of the most positive factors is a strong pricing outlook that will allow net pricing to increase at rates closer to the consumer price index. This has come about for several reasons.

First, there is renewed consumer interest in beer. Micro and specialty beers have broadened both the taste and price spectrum, as well as heightened consumer awareness.

Second, beer is favorably priced relative to other food and beverage items, making it more affordable.

Third, the price gap between premium and sub-premium brands has narrowed to the point where consumers are now trading up, a reversal of the trend in the early '90s. Since the bulk of our volume is in premium-priced brands, this trend is very favorable for Anheuser-Busch.

In addition, micro and specialty products have raised the reference price for beer in consumers' minds. This enhances the perceived value of our premium- and super-premium-priced brands.

Fourth, higher brewing and packaging costs have made all brewers realize the need to maintain profitability.

Fifth, a significant amount of production capacity will be eliminated. For example, the recent merger of Stroh and Heileman resulted in the closing of a number of breweries. As a result, plant utilization rates will increase, reducing the incentive to gain market share through excessive price discounting.

As a result of all these factors, we expect to see increased profitability and industry volume growth of about 1% annually through the end of the decade.



***Q. Looking more long term, what do you think the beer industry will be like 10 years from now?***

**A.** I think it will change in a number of ways that will improve satisfaction for wholesalers, retailers and consumers.

Wholesalers will see improved marketing programs and greater support through technology and training as successful brewers become even more responsive to their needs. At Anheuser-Busch, we've recently launched the Busch Satellite Network, which allows us to offer a variety of timely programming, including news and sales training, directly to our 900 wholesalers via satellite. This will significantly enhance our communications capabilities and revolutionize the way we interact with our wholesalers.

Retailers will see changes in several areas. For one thing, more customized marketing programs will be available, designed specifically for their business to meet their unique marketing needs. Customized point-of-sale material is one example. They'll also see greater flexibility on the part of brewers in supporting their overall business objectives.

BUSCH SATELLITE NETWORK

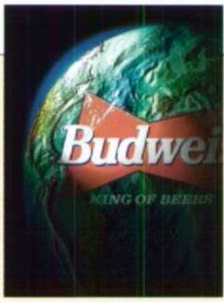
*"THE ANHEUSER-BUSCH SATELLITE NETWORK...WILL SIGNIFICANTLY ENHANCE OUR COMMUNICATIONS CAPABILITIES AND REVOLUTIONIZE THE WAY WE INTERACT WITH OUR WHOLESALERS."*

We must learn to provide them with exactly the product they need in the size and packaging that is most appropriate for their market. Finally, wholesaler capabilities in electronic commerce will increase substantially. The ability to send invoices, control inventories and place orders electronically will significantly reduce overhead costs and paperwork for wholesalers and retailers, resulting in productivity improvements for both.

Consumers will also benefit as a result of these efforts. They appreciate innovative packaging and consistent quality, and the productivity that will be realized at every level in the brewer-to-consumer chain will result in continued affordable pricing.

In addition to these changes, 10 years down the road I expect that only those brands that offer consumers value and points of difference will survive. There are a lot of beers out there right now, and many of them are redundant. They don't offer anything particularly unique or different to the consumer. Over time, the survivors will be those brands that offer enduring value to the consumer. We fully expect Anheuser-Busch brands to be in the majority among the survivors.

*OUR GOAL IS TO BECOME THE WORLD'S BEER COMPANY BY GROWING OUR INTERNATIONAL BUSINESS WITH THE SAME DEDICTION, FOCUS AND INTENSITY THAT LED US TO ACHIEVE OUR LEADING POSITION IN THE U.S. BEER MARKET FOR THE PAST 40 YEARS.*




**1996 Highlights**

- **Achieved 15% international volume growth**
- **Established new equity partnerships (with options) in Brazil and Argentina**
- **Announced our intention to exercise the majority of our options with Grupo Modelo, which will increase our total investment to approximately $1 billion**
- **Achieved 14% Budweiser volume growth in Japan after establishing an Anheuser-Busch-controlled sales force**
- **Introduced Budweiser to the Philippines**
- **Achieved triple the budget forecast for Budweiser sales volume in China, resulting in early expansion of our Wuhan brewery**
- **Employed 1,100 people in 19 countries; Budweiser now brewed in 11 countries**

1996年杰出表现

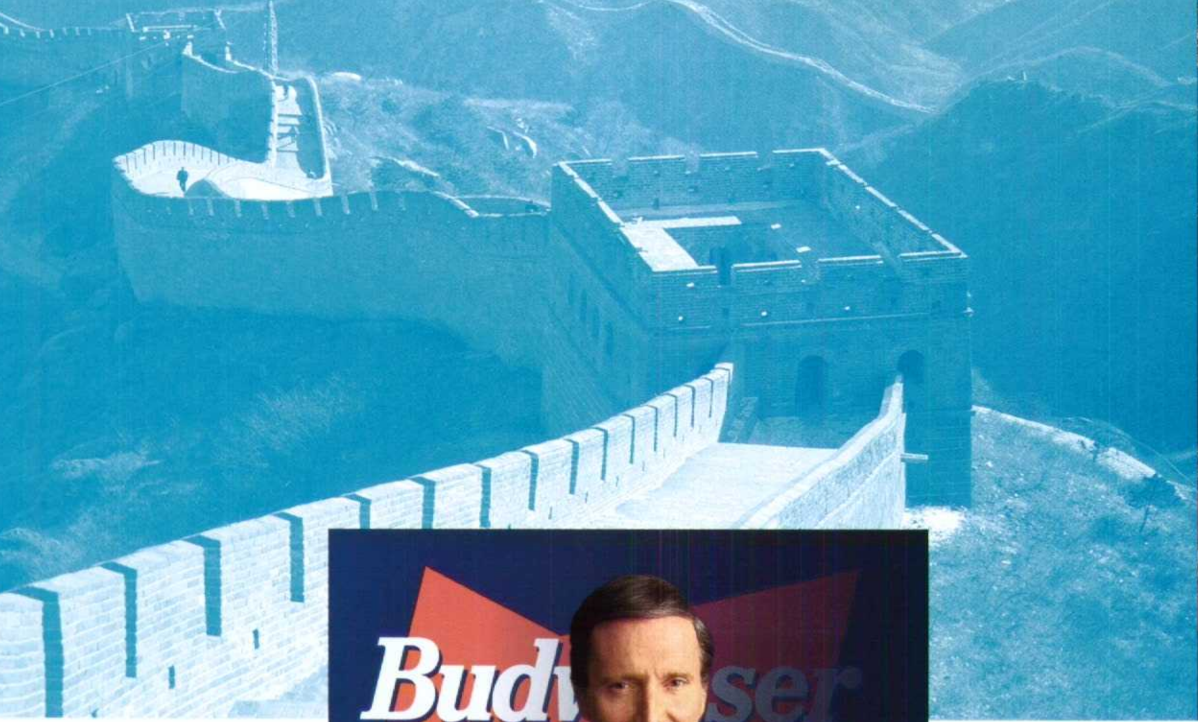
- 国际市场增长量达15%
- 于巴西、阿根廷建立了新的有选择买卖权的股东合伙关系
- 宣布我们将实行我们在模范集团(Grupo Modelo)多数的选择买卖权之意图，这将使我们的总投资额增加至约十亿美元
- 自从建立了一个安海斯-布希(Anheuser-Busch)统控销售力后，在日本百威啤酒的增长量达14%
- 将百威啤酒引进菲律宾
- 在中国百威啤酒的销售量比预算高出三倍，因而促成武汉酒厂提早扩张
- 于十九个国家中雇用一千一百位员工；百威啤酒现于十一个国家中酿造

1996年のハイライト

- 国際売上高15%増加を達成-15年連続の二桁成長。
- ブラジル及びアルゼンチンでオプション付きエクイティー・パートナーシップを新規提携。
- グルーポモデロ(Grupo Modelo)とのオプションの大部分の行使を発表、総投資額を約10億ドルに増加。
- アンハイザーブッシュ管理下の販売勢力を確立した後、日本でのバドワイザー売上高の14%増加を達成。
- バドワイザーをフィリピンへ導入。
- 中国でのバドワイザー売上高は当初見込みの3倍を達成、結果として武漢醸造所の早期拡張へ。
- 19ヵ国で1,100人を採用、11ヵ国でバドワイザーを醸造。

Puntos Destacados de 1996

- *Se logró un crecimiento del 15% del volumen internacional*
- *Se establecieron nuevos consorcios de capital social (con opciones) en Brasil y Argentina*
- *Se anunció la intención de ejercer la mayoría de nuestras opciones con Grupo Modelo, que incrementará el total de la inversión a más de mil millones de dólares*
- *Se alcanzó un crecimento del 14% del volumen de Budweiser en Japón, después de que se estableció una fuerza de ventas controlada por Anheuser-Busch*
- *Se introdujo Budweiser en las Filipinas*
- *Se consiguió triplicar el volumen de ventas previsto de Budweiser en China, resultando en la ampliación de la cervecería Wuhan más pronto de lo anticipado*
- *Se emplean 1.100 personas en 19 países; y Budweiser ahora se elabora en 11 países*



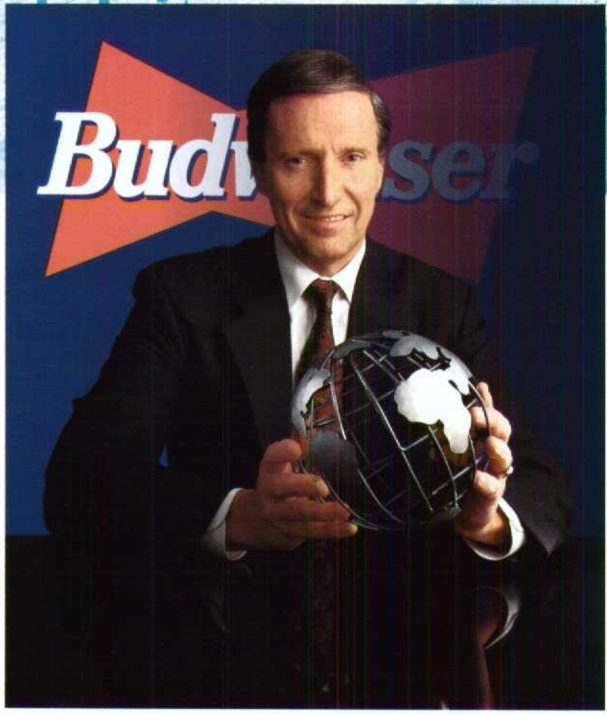
***Q.** Would you provide a quick overview of Anheuser-Busch International?*

**A.** Anheuser-Busch International (A-BII) was formed 15 years ago to explore and develop markets outside the U.S. We started with two employees in 1981; today we have 1,100 employees worldwide.

1996 was a very good year for our international operations. We sold more than 6 million barrels of our own beer brands in the international market and owned a pro-rated equity share in almost 5 million barrels of our equity partners' brands. That makes a total of 11 million barrels of beer sold outside the U.S. This equates to about 12% of our U.S. domestic sales of 89 million barrels.

Budweiser is now available in more than 80 countries, and sales volume for the brand grew by more than 15% in 1996 in the international marketplace.

We currently operate two foreign breweries, one in China and one in the U.K., and have partnerships with brewers in 11 other countries.



***Jack Purnell***
*Chairman of the Board & Chief Executive Officer, Anheuser-Busch International, Inc.*

***Q.** What were your biggest challenges in 1996?*

**A.** We faced a number of challenges in 1996.

First, we had to learn to operate a brewery and establish a sales organization in China.

Second, we had to develop an effective independent sales organization in Japan.

Third, we needed to find attractive equity partners in Latin America who were interested in a mutually beneficial relationship.

Fourth, we wanted to obtain access to effective distribution systems in Europe.

Finally, it was a challenge to ensure that Budweiser's strong growth rate and position in the U.K. would continue after having become the leading premium packaged lager in 1994.

## Q. *How successful were you in meeting these challenges?*

**A.** Very.

In China, there was definitely a learning curve in 1995 in terms of setting up distribution and operating a brewery. In 1996 the brewery operation ran smoothly and we put a solid sales force in place. We now have nearly 200 salespeople focused on selling Budweiser in 22 major cities. The result is that Budweiser sales are up tenfold to approximately 5 million cases. This tremendous sales growth has prompted an expansion of the Wuhan brewery.

We've also successfully established an independent sales organization in Japan. We've now returned to double-digit Budweiser growth in that country and passed the 10-million-case milestone.

In Latin America, we've signed major partnership agreements in two key countries. In Brazil, we have a 5%-plus-options agreement with Antarctica and a joint venture for Budweiser, of which we own 51%. In Argentina, we are working with the No. 2 brewer, CCU-Argentina, on Bud licensed production. We also have an equity stake plus options there.

In Europe, we've signed a distribution agreement in France with Kronenbourg. We've also enhanced our agreement with Peroni in Italy to include local production of Budweiser. Finally, Guinness successfully introduced draft Budweiser in Northern Ireland, where we have had no draft presence until this year.

We've continued to capitalize on our success in both the U.K. and Ireland, and Budweiser continues to grow in these markets at double-digit annual rates.

**Top 10 International Beer Markets**

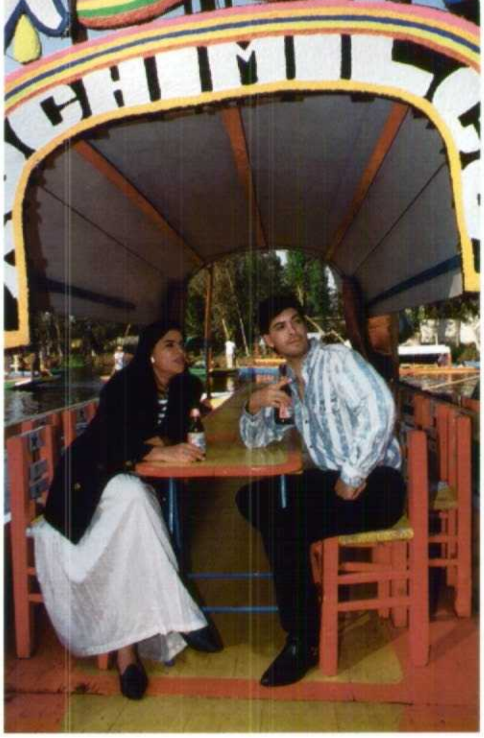
| Country | Significant A-B Presence |
|---|---|
| U.S. | X |
| China | X |
| Germany | |
| Japan | X |
| Brazil | X |
| U.K. | X |
| Mexico | X |
| Russia | |
| Spain | X |
| South Africa | |

## Q. *Would you review your growth strategy?*

**A.** We have a two-pronged strategy.

First, we intend to build Budweiser into a leading global brand.

Second, we will continue to form equity partnerships with leading brewers in growing countries. Our agreements in Mexico, Brazil, Argentina and China are good examples of this second strategy in action.



## Q. *What conditions in the domestic and international marketplace make this a good time to expand the presence of Budweiser?*

**A.** The international market is four times larger than the domestic market and growing faster. In most countries in Asia and Latin America the market is growing four to six times faster than in the U.S. So the international arena offers excellent opportunities for growth.

A number of trends in the international marketplace make this a particularly favorable time for Budweiser.

First is the globalization of American culture. This includes the proliferation of Hollywood films, American TV programs, American music, American sports and such classic American products as Coke, Levi's, McDonald's—and now Budweiser. We will maximize Budweiser's tie-in with America through our advertising and through media properties like CNN, ESPN, boxing and the NFL.

A second worldwide trend that is favorable for Budweiser is the move to lighter beverages. This generally involves a shift from hard liquor to wine and beer, and within beer to the lighter, less-bitter spectrum. We intend to capitalize on this trend by sticking to our original decision to keep Budweiser's taste profile the same overseas as it is in the U.S. Budweiser


is refreshingly different from foreign brewers' products, and that difference is winning over foreign customers.

Finally, trade barriers are falling. To take advantage of this trend, we will continue to gain understanding of each new country's culture through good partners and by hiring experienced local nationals.

***Q.* *Are conditions also favorable for your second growth strategy—forming equity partnerships?***

**A.** Yes. Three trends are working to our advantage.

First, emerging markets represent a huge beer-drinking expansion opportunity. Consider that by the year 2001, there will be 2 billion young adults in the world. That's 500 times the number of young adults in the same age bracket as in America in the peak years of the baby boom. As this worldwide population "bulge" ages, it should translate into a dramatic increase in beer consumption, particularly in developing countries in Asia, Pacific and Latin American zones. By early in the 21st century, 30% of the world's population will be in the key 21 to 39-year-old beer-drinking age bracket, and six out of seven of these potential beer drinkers will be in developing countries. If the real per capita income continues to grow in these developing countries, there will be a large pool of potential beer drinkers with discretionary income who are able to afford to buy beer, and eventually to buy premium beer. This represents an opportunity for both Budweiser and our partners' brands in those countries.

"A...WORLDWIDE TREND THAT IS FAVORABLE FOR BUDWEISER IS THE MOVE TO LIGHTER BEVERAGES...BUDWEISER IS REFRESHINGLY DIFFERENT FROM FOREIGN BREWERS' PRODUCTS, AND THE DIFFERENCE IS WINNING OVER FOREIGN CUSTOMERS."

The second trend favoring equity partnerships is reasonable acquisition prices.

Finally, Anheuser-Busch is increasingly viewed in many countries as an attractive partner by the major brewers, which opens many doors.

***Q.* *What is the status of your current equity partnerships?***

**A.** Mexico is the world's seventh-largest beer market. In 1993 we purchased a 17.7% interest in Grupo Modelo, with options to increase our direct and indirect interest to approximately 50%. We clearly picked the right partner in Mexico. Despite the peso devaluation in 1994, Modelo's market share rose almost four points, to 56%, between 1993 and 1995. The company's earnings were up 47% in 1995 vs. 1993, adjusted for inflation, and its sales and market share continued

to grow in 1996. On December 18, 1996, we announced our intention to exercise a large portion of our option, which will bring our direct and indirect participation to 37% from 17.7% and increase our total investment to approximately $1 billion. There is a difference of opinion concerning certain purchase adjustments, which the companies will resolve by following procedures spelled out in the investment agreement. We are optimistic that the transaction can be completed in the near future.

In Brazil, the world's fifth-largest beer market, our partner is Antarctica, which has a network of 23 breweries and 1,000 wholesalers. We currently own 5% of a new Antarctica subsidiary, with options to go to 30%.

The second leg of our Brazilian partnership is a 51% Anheuser-Busch-owned joint venture with Antarctica to market Budweiser in Brazil. In the fourth quarter of 1996, Antarctica began contract brewing Budweiser, which will allow for more competitive pricing. So we are off to a very good start in Brazil.

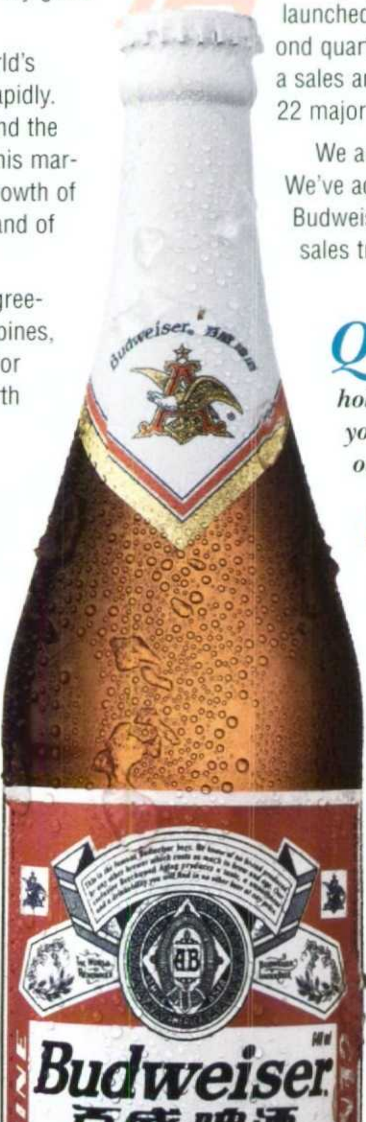
Argentina ranks 22nd among the world's largest beer markets, but it is growing rapidly. Our partner is CCU, the leader in Chile and the No. 2 brewer in Argentina. We believe this market offers tremendous opportunity for growth of Budweiser, which will be the flagship brand of our partnership in CCU-Argentina.

We have also signed a partnership agreement with the No. 2 brewer in the Philippines, Asia Brewery. The agreement provides for license brewing, which began in the fourth quarter of 1996, and is convertible to a joint venture in the future.

**Q.** ***Anheuser-Busch has focused a great deal of attention on China. What makes this such an attractive market?***

**A.** The growth potential for the Chinese beer market is enormous, making it strategically important for our long-term international growth. The Chinese beer market is experiencing 10% compound growth, and we expect this rate to continue. China is currently the second-largest beer market in the world, and by 2005 we expect it to surpass the U.S. and become the world's largest beer market.

百威啤酒




Our goal in China is to gain a 10% share for Budweiser in the rapidly growing premium beer market within five years.

We currently have an 85% stake in the Wuhan brewery, located in the fifth-largest city in China. The brewery is less than 10 years old and was one of the best facilities in the country even before we upgraded it to brew Budweiser. The Wuhan brewery also produces the Steinbrau brand, which is regional and mid-priced. We brewed and launched Budweiser from Wuhan in the second quarter of 1995 and simultaneously built a sales and distribution organization covering 22 major cities.

We are pleased with the results to date. We've achieved an unaided awareness of Budweiser in major cities of 25% and early sales trends are very encouraging.

**Q.** ***Speaking of awareness levels, Budweiser is certainly a household word in the U.S. What are you doing to create awareness in other countries?***

**A.** An attractive brand image, of course, is crucial, and we have strong advertising around the world that appeals to the local culture and ties in to merchandising and sales promotion programs. These country-specific marketing programs total more than $150 million in annual expenditures.

In addition, we have significantly increased our marketing expenditures in the area of global media



and worldwide sports. For many years Budweiser has sponsored the Irish Derby, the World Football League and international boxing. In 1994 we became the global marketing partner of the World Cup soccer games, with their audience of more than 2.6 billion people. For the next World Cup in '98, we have stepped up to the highest level of sponsorship possible as global sponsor. In 1995 and 1996 we added the sponsorship of the Atlanta Olympics in key international markets, with sales promotion tie-ins around the world.

In 1996 we expanded our international sponsorships on CNN, ESPN, Star TV, NBC-International, NBA basketball and the International Herald Tribune.

Our 1996 increase in expenditures for these global media and sports properties, plus our increase in China due to our first full year of operations there, added about $14 million in expenses.


"WE HAVE SIGNIFICANTLY INCREASED OUR MARKETING EXPENDITURES IN THE AREA OF GLOBAL MEDIA AND WORLDWIDE SPORTS...FOR THE NEXT WORLD CUP IN '98 WE HAVE STEPPED UP TO THE HIGHEST LEVEL OF SPONSORSHIP POSSIBLE AS A GLOBAL SPONSOR."

**Q.** ***How did this marketing expense affect A-BII's profit growth in 1996?***

**A.** It broke our record of seven consecutive years of earnings growth. Without the increase, that profit growth record would have been maintained by our continued double-digit international volume growth. While these global properties and increased investment spending in China hurt short-term profits, we are confident that future sales and earnings will be enhanced.

**Q.** ***What are currently the largest markets for Budweiser outside the U.S.?***

**A.** The U.K., Canada, Japan, China and Ireland.

Budweiser sales in the U.K. exceeded a million barrels in 1996. We currently have an 18% share of the premium packaged lager segment and Budweiser is now the No. 1 premium packaged lager. This is equivalent to a 5% share of the U.K. lager beer market.

In Canada, Budweiser has an 8% share of market and is the second-largest—and fastest-growing—brand handled by our partner, Labatt. Budweiser gained two share points in the last two years and continues to experience strong growth in what is essentially a down beer market in Canada. We sold more than 1 million barrels there in 1996.

In Japan, we have a joint venture with Kirin that is 90% owned by Anheuser-Busch. Budweiser is the

largest-selling international brand in Japan with a market share of between 1% and 2%. Our objective is to grow Budweiser to a 5% share in Japan in the next 10 years.

Ireland has also been an excellent market for Budweiser. Sales increased 16% in 1996 to almost 550,000 barrels. This equates to a 27% share of the lager beer market. Our partnership with Guinness has been very successful, and Budweiser is now the No. 1 lager in Dublin and the No. 2 lager brand in Ireland overall.

### Q. *What is the status of the Czech Budvar trademark dispute?*

**A.** Let's start with a bit of background. We began using the Budweiser brand name in 1876, 19 years before the Budvar brewery was established. However, Budvar had attained rights to sell Budweiser Budvar beer in many European countries and some other markets prior to Anheuser-Busch's international push, which resulted in a trademark dispute.

After years of discussions, in 1996 we terminated negotiations with Budejovicky Budvar and the government of the Czech Republic for a Budweiser trademark agreement for two reasons. First, we've had great success selling Budweiser under the "Bud" name in disputed markets in Europe, and second, we've had a number of recent litigation successes with both the Budweiser and Bud names. It is no longer necessary for us to have a trademark settlement to develop the brand in Europe. We currently sell "Budweiser" in 11 European countries and "Bud" in nine. The "Bud" label is identical to Budweiser. We have been pleased at the consumer reception, recognition and acceptance of the "Bud" brand and are currently enjoying double-digit growth in Europe.


### Q. *What markets offer the greatest potential for growth?*

**A.** We look at growth potential in two primary ways—industry growth in developing countries and Budweiser growth in developed countries.

In developing countries, as personal income rises, people begin to spend money on "small luxury" items, such as beer. The entire beer market will benefit from this trend, especially the leading brewers. Asia and Latin America, which are experiencing high growth in beer consumption, fall into this category.

In developed countries—Japan, the U.K., mainland Europe—there is great growth potential for Budweiser. Even though the beer industry in those countries may not be growing rapidly, our particular style of beer—which is lighter and refreshingly different—is showing excellent growth.

We are aggressively pursuing both types of growth.

### Q. *Isn't international expansion risky?*

**A.** Of course. However, a bigger risk is not to expand internationally. If we don't continue our global expansion, we are going to miss a lot of potential for volume, revenues and shareholder value.

We try to minimize our risks in a number of ways.

First, we develop equity partnerships with local brewers who know the culture and who are strong in both production and distribution. We also try to structure our partnerships to allow for increased equity participation over time through the exercise of options.

Second, we hire local managers who know the market and the culture.



Third, we have developed an excellent team of international marketers with experience in multiple countries.

Fourth, we proceed in a focused manner. Our strategy has been to go slowly, stay focused on our core principles and be patient. We generally start in a country with an export arrangement, which allows us to build our expertise with minimal investment. We then proceed to license brewing, then self distribution and finally, when we have established a solid sales base for Budweiser, a large equity stake or total ownership and operation. This technique has worked very well for us.

Finally, risk is reduced for our parent, Anheuser-Busch Companies, by having a portfolio of overseas investments combined with our U. S. company. An investor holding a portfolio of 80% U.S. stocks and 20% foreign stocks over the past 20 years would have enjoyed a higher overall return and lower risk than with all U.S. stocks.

***Q. Long term, how important do you think the international market will be to Anheuser-Busch?***

**A.** Extremely important. As I said earlier, the growth potential is enormous. Frankly, we don't yet know how far "up" is for Budweiser.

Let me give you a couple of examples. Twelve years ago, our initial research on the U.K. was very discouraging. It told us that Budweiser was too "different" and wouldn't be well accepted. Today it's grown to be the leading premium packaged lager in the country.

We've also been pleasantly surprised in developing countries. In China, our 1996 results for Budweiser were three times our budgeted expectations.

Needless to say, we are extremely encouraged by this global reception of Budweiser.

However, it's important to remember that our share of the world beer market is not limited to the Budweiser brand. Our equity partnerships allow us to benefit from the growth of our partners' brands, like Corona and Antarctica.

Our goal of becoming the world's beer company can be accomplished if we can continue the success and momentum we have experienced over the past five years in fostering equity partnerships and in growing Budweiser in the international market.

THE ANHEUSER-BUSCH THEME PARKS PROVIDE A HIGH-QUALITY ENTERTAINMENT/ EDUCATION EXPERIENCE TO GUESTS FOCUSING ON "REAL" ADVENTURES. THE PARKS COMPLEMENT OUR BEER BUSINESS BY OFFERING A POSITIVE SETTING IN WHICH TO SHOWCASE OUR PRODUCTS, OUR CONSUMER AWARENESS AND EDUCATION PROGRAMS, AND OUR ENVIRONMENTAL COMMITMENT TO APPROXIMATELY 20 MILLION GUESTS EACH YEAR.

**1996 Highlights**

- **Achieved fifth consecutive year of record attendance and profit**
- **Served as official theme park sponsor of the U.S. Olympic Team and the Centennial Olympic Games in Atlanta**
- **Opened "Egypt" and Montu roller coaster at Busch Gardens Tampa Bay, the largest expansion in the park's history**
- **Continued to support wildlife conservation, rescue and research efforts**
- **Announced major new attractions for various parks in 1997, including Alpengeist, the world's largest inverted roller coaster; The Great White, the only inverted roller coaster in the Southwest; "Edge of Africa," a safari adventure; and "Wild Arctic"**

1996年杰出表现

- 持续第五年达最高记录的到场率和利润
- 是美国奥林匹克队和亚特兰大百年奥林匹克运动会主题公园的正式赞助者
- 在坦霸湾布希公园(Busch Gardens TampaBay)开放"埃及"和猛土(Montu)云霄飞车，这是该园设立以来最大的扩张行动
- 继续支持野生动物保护、援救和研究工作
- 宣布在1997年于多家游乐场开放新的游戏，包括埃平爵士(Alpengeist)，世界最大倒置云霄飞车；大白(The Great White)，西南部唯一的倒置云霄飞车；"非洲边缘"(Edge of Africa)，一个非洲探险的游戏和"野北极"(Wild Arctic)

1996年ハイライト

・5年連続の観客数及び収益の最高記録を達成。

・アメリカ合衆国オリンピック・チームとアトランタ市での百周年記念オリンピック大会の公認テーマパーク・スポンサーとして活躍。

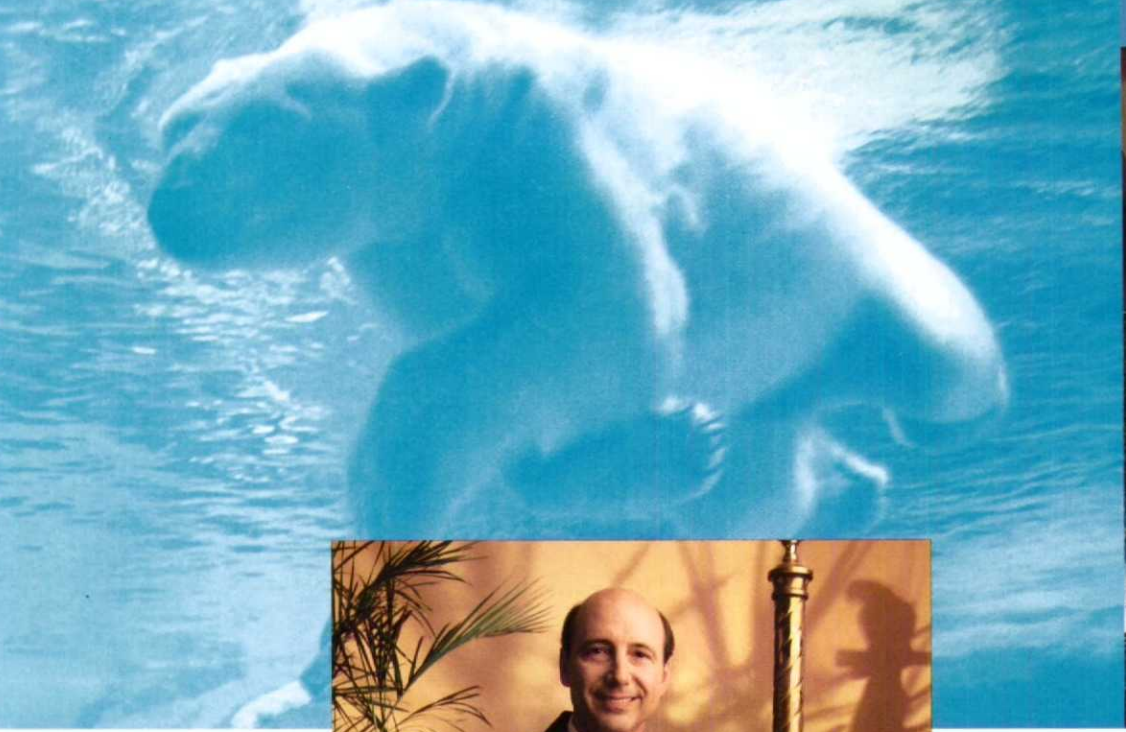
・ブッシュ・ガーデンズ・タンパベイにパーク史上最大の拡張である「エジプト」とモントゥ・ジェットコースターをオープン。

・野生生物の保護、救出、研究努力を引き続き援助。

・世界最大の逆さジェットコースターのアルペンガイスト、アメリカ西南部で唯一の逆さジェットコースターのザ・グレート・ホワイト、サファリ・アドベンチャーの「エッジ・オブ・アフリカ」、そして「ワイルド・アークティック」など、各パークにおける1997年度の大規模な新しいアトラクションを発表。

Puntos Destacados de 1996

- *Por quinto año consecutivo se alcanzaron nuevos records en asistencia y utilidades*
- *Los parques de atracciones fueron patrocinadores oficiales del equipo olímpico de los Estados Unidos, así como de los Juegos Olímpicos del Centenario en Atlanta*
- *Se inaguraron "Egypt" y la montaña rusa "Montu" en Busch Gardens de Tampa Bay, la ampliación más grande hecha hasta ahora en este parque de atracciones*
- *Se continuó apoyando los esfuerzos dedicados a la conservación, salvamento e investigación de la fauna silvestre*
- *Para 1997 se anunciaron nuevas atracciones de importancia en varios de los parques, incluyendo el "Alpengeist," la montaña rusa invertida más grande del mundo; el "Great White," la única montaña rusa invertida del suroeste; "Edge of Africa," una aventura de safari; y el "Wild Arctic"*



**John B. Roberts**
*Chairman of the Board & President, Busch Entertainment Corporation*

***Q. How did Busch Entertainment Corporation (BEC) perform in 1996?***

**A.** 1996 was BEC's fifth consecutive year of record attendance and profit. Our year-round parks were primarily responsible for our company's record performance, particularly Busch Gardens Tampa Bay, which opened Montu, a world-class inverted roller coaster last spring. The opening of Shamu Backstage at Sea World of California and Key West at Sea World of Florida also contributed to BEC's success last year. Our seasonal parks, Busch Gardens Williamsburg, Sea World of Ohio, Sea World of Texas, Sesame Place, Water Country USA and Adventure Island experienced marginally softer attendance due to extreme weather and the Olympics. Strong sales in our food service and merchandise groups also helped us exceed our financial goals.

***Q. What were BEC's most significant accomplishments in 1996?***

**A.** Adding Egypt and Montu, a new themed area and the world's largest inverted roller coaster, to Busch Gardens Tampa Bay certainly ranks near the top of the list.

BEC also entered into several marketing alliances throughout the country and internationally. A major alliance with Universal Studios Florida and Wet-N-Wild in 1996, for example, has allowed us to more effectively compete in the Orlando marketplace. Visitors to central Florida may now purchase Vacation Value Pass ticket packages that allow unlimited admission over a three- or five-day period to Sea World of Florida, Busch Gardens Tampa Bay, Universal Studios and Wet-N-Wild.

In addition, BEC was the official theme park sponsor of the Centennial Olympic Games and the U.S. Olympic Team, an 18-month involvement in which all nine of our parks participated.

***Q. What were your biggest challenges this year? How did you address them?***

**A.** We faced a number of challenges in 1996. Midsummer events like the Republican National Convention in San Diego and the Centennial Olympic Games in Atlanta disrupted attendance during our peak summer season. Attendance was also affected by an unusually active hurricane season. However, we were able to make up the lost ground from late summer through a record-setting December with aggres-

sive and innovative marketing programs. With new attractions under development in each of our nine parks, we're projecting 1997 to be another banner year for Busch Entertainment.

***Q.*** ***Given the closing of Eagle Snacks and the spin-off of Campbell Taggart last year, how committed is Anheuser-Busch to the theme park business?***

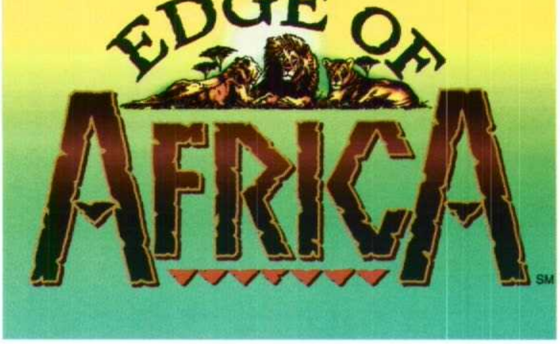
**A.** We're talking about three very different industries and a profitable vs. unprofitable scenario in one case. There are no plans to divest the corporation's entertainment operations. Anheuser-Busch has been in the entertainment business for more than 40 years and has the critical mass to be an effective competitor. BEC has averaged double-digit profit growth over the past several years, generates nearly $100 million a year in operating profits and produces positive cash flow after capital spending. So, from a business perspective, BEC is solid.


Beyond that, however, the Anheuser-Busch Theme Parks provide an important complement to our beer business by offering a positive setting in which to showcase our products, our consumer awareness and education programs, and our environmental commitment to approximately 20 million guests each year.

***Q.*** ***I understand you have a new addition planned for every park next year. Can you describe the major new attractions for 1997?***

**A.** Certainly. For roller coaster fans, 1997 will be a banner year in the Anheuser-Busch Theme Parks.


"Alpengeist," the world's largest inverted roller coaster, will be unveiled at Busch Gardens Williamsburg in the spring of 1997. We will also see the first roller coaster in a Sea World park in 1997 when "The Great White," the only inverted coaster in the Southwest, opens at Sea World of Texas in San Antonio. For those unfamiliar with the finer points of roller coasters, on an inverted coaster riders are suspended beneath the track rather than sitting in a car on top of it. I can't describe the sensation. It's probably best to pay a visit to one of our parks to experience it for yourself.




Busch Gardens Tampa Bay will open "Edge of Africa," an attraction that allows guests to experience the adventure of an African safari, featuring face-to-face interaction with dozens of different species of African animals, including meerkats, lions, giraffes and hippos. "Edge of Africa" is the largest and most ambitious animal attraction ever offered to Busch Gardens Tampa Bay guests. It builds on the decades-old tradition of innovative and interactive animal displays at Busch Gardens Tampa Bay.

"Wild Arctic" will open this spring at Sea World of California. A thrilling helicopter simulation transports guests to a polar research station where they will experience beluga whales, polar bears and harbor seals. "Wild Arctic," a hit at Sea World of Florida, was honored by the American Zoo and Aquarium Association last year as the finest zoological attraction in the United States.

***Q.*** ***How is Port Aventura doing?***

**A.** Port Aventura, a new theme park in Spain in which BEC has a minority interest, did very well in 1996. Attendance, revenue and return on investment are all well above projection.

***Q.*** ***How important is international tourism to BEC's domestic parks? How do you attract international visitors?***

**A.** Very important. A significant percentage of our overall attendance comes from outside the United States. We continue to see very high attendance levels

from the United Kingdom, Canada and Latin America. A particularly strong market for our Florida parks is Brazil. Busch Gardens Tampa Bay and Sea World of Florida hosted nearly half a million guests from Brazil in 1996 alone.

We market our parks very aggressively overseas. In addition to advertising, publicity and consumer promotions in our key international markets, we have long-established relationships with travel professionals overseas. We also have a major presence in international trade shows like World Travel Market in London.

**Q.** ***How do you expect the opening of Disney's Animal Kingdom in 1998 to affect Sea World of Florida and Busch Gardens Tampa Bay?***

**A.** There is no question that a new Disney park in Orlando will enhance the competitive position of central Florida in the world marketplace. BEC is approaching this opportunity on a number of levels. We continue to emphasize our significant point of difference—providing a "real" adventure—while striving to enhance our guests' experience through new attractions and providing the highest-quality guest service and world-class entertainment.

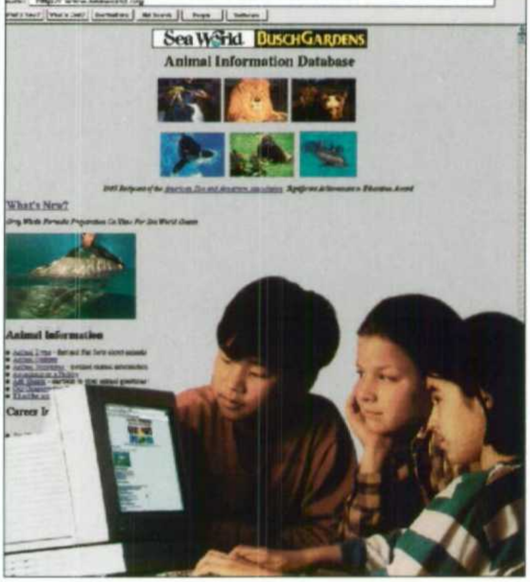

*"A SIGNIFICANT PERCENTAGE OF OUR OVERALL ATTENDANCE COMES FROM OUTSIDE THE UNITED STATES... A PARTICULARLY STRONG MARKET FOR OUR FLORIDA PARKS IS BRAZIL. BUSCH GARDENS TAMPA BAY AND SEA WORLD OF FLORIDA HOSTED NEARLY HALF A MILLION GUESTS FROM BRAZIL IN 1996 ALONE."*

It's important to note that our parks offer experiences that no other theme park in the world can match. Although there may be some sampling and trial of new offerings, we feel this will help grow Central Florida tourism overall. Our parks in Tampa and Orlando are very popular and we are committed to providing experiences that will continue to make us competitive into the next century.

**Q.** ***BEC seems to be forming more alliances with other entertainment attractions such as Universal Studios in Florida and various Williamsburg attractions in Virginia. What is the rationale behind this?***

**A.** We have always pursued partnerships with other travel and tourism organizations, even competing entertainment companies, as a means of increasing our parks' value to our guests. In an increasingly competitive entertainment marketplace, it is essential that a visit to one of our parks is economical and convenient.

The Value Pass ticket program with Universal Studios Florida is just one example of how the Anheuser-Busch Theme Parks continually strive to increase their value to guests. In addition,

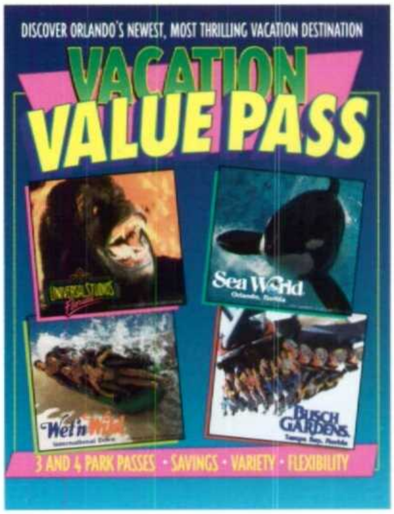



Busch Gardens has long partnered with Williamsburg-area attractions to increase the value of the region as a travel destination. Sea World of California has created ticketing packages with the San Diego Zoo, and Sea World of Ohio sells a combination ticket with a neighboring theme park.

Each of our parks also fosters relationships with convention and visitors bureaus to increase visitation to their host cities.

**Q.** ***Last year's annual report highlighted a number of initiatives on the technology and media front, including the World Wide Web page and Shamu TV. What's the status of these programs, and is anything new coming up?***

**A.** We have made real progress in building awareness of the Anheuser-Busch Theme Parks through emerging technology like the World Wide Web and broadcast initiatives like Shamu TV, Jack Hanna's Animal Adventures and projects with Mary Kate and Ashley Olsen, the well-known twin sisters who have starred in a number of film and television projects.




Shamu TV, an Emmy-award-winning distance learning program, continues to reach millions of schoolchildren each month with messages that emphasize the importance of wildlife and habitat conservation. We also are discussing several new broadcast projects and partnerships.

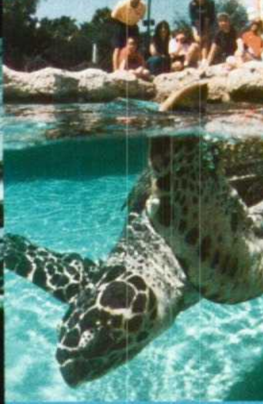
Busch Entertainment will continue to explore alternative vehicles such as the Internet to share the Anheuser-Busch Theme Parks with consumers. In fact, our World Wide Web site is experiencing tremendous growth. Computer users can access the site, learn about each of our nine parks, design a visit and book their vacation on-line. You can find it through www.seaworld.com or www.buschgardens.com.

**Q.** ***BEC works on an ongoing basis to preserve the environment and protect and preserve endangered and injured animals. Are there any specific activities in 1996 that you'd like to highlight?***

**A.** Over the past year, we have documented the first cases of a contagious and often deadly virus—morbillivirus—in marine mammals on the west coast of North America. Sea World of California has constructed an emergency quarantine facility that will allow veterinarians to care for beached whales and dolphins until a test for morbillivirus can be conducted. Sea World is the only facility on the West Coast with an active rescue and rehabilitation program for beached whales and dolphins. Last year alone, we were able to rescue, rehabilitate and release hundreds of marine mammals and birds.

On the East Coast, we continue to work toward the conservation of the highly endangered Florida manatee. Last year saw an unusually high number of manatees falling victim to disease. The Sea World of Florida animal care team was asked to assist. In 1996, we were able to rescue and rehabilitate 35 of these gentle animals.

Sea World of Florida and the Hubbs-Sea World Research Institute also continue to work toward the



conservation of sea turtles. The park rescued 49 sea turtles in 1996. Sadly, each of the nine sea turtle species is either endangered or threatened. We are committed to helping find a solution to this problem.

Sea World of Florida provided a home last year for three California sea lions who had made themselves famous—and very fat—gorging on trout from the Ballard Locks near Seattle. The problem had become so acute that the U.S. government had marked the animals for death. They're now among the residents of Sea World's new "Pacific Point Preserve" habitat.

"IN THE NEXT DECADE, BUSCH ENTERTAINMENT CORPORATION WILL ENHANCE ITS POSITION AS A WORLDWIDE LEADER IN THE THEME PARK INDUSTRY...BEC WILL CONTINUE TO PROVIDE INNOVATIVE EXPERIENCES THAT BOTH ENTERTAIN AND ENRICH."

BEC also continued partnerships with national environmental organizations, including the American Oceans Campaign, Center for Marine Conservation, National Fish and Wildlife Foundation, the Hubbs-Sea World Research Institute and The Nature Conservancy. For example, we partnered with the National Fish and Wildlife Foundation on a groundbreaking Arctic research program in which Sea World and Canadian scientists traveled to the Arctic to study beluga whales, polar bears and the effects of pollution on walruses.

**Q.** ***Long term (10 years down the road), what is your vision for BEC?***

**A.** In the next decade, Busch Entertainment Corporation will enhance its position as a worldwide leader in the theme park industry. We will see attendance in our parks grow well beyond the 20 million guest mark with revenues and return on investment growing correspondingly. BEC will continue to provide innovative experiences that both entertain and enrich. Each guest who chooses to visit us today—or 10 years from today—will leave with wonderful memories of an entertaining and enriching day. They will also have a higher level of appreciation for Anheuser-Busch's commitment to quality and the environment, our alcohol awareness programs and Anheuser-Busch products.

## Packaging Operations

*Our packaging operations support the Beer Company with innovative packaging that helps sell beer. We are the highest-quality, lowest-cost producer of aluminum cans, the market share leader in the U.S. for aluminum recycling and the market share leader in printing labels for the brewing industry.*

**1996 Highlights**

- **Metal Container Corporation rated No. 1 in quality by customers**
- **Metal Container Corporation increased can sales volume over 1995 by 12%**
- **Metal Container Corporation held No. 2 market share position**
- **Packaging group established new organization structure**

1996年ハイライト

・メタル・コンテナー・コーポレーションは顧客から品質ナンバーワンの評価を獲得。

・メタル・コンテナー・コーポレーションは缶の売上高を1995年よりも12%増加。

・メタル・コンテナー・コーポレーションは市場シェアー第二位を確保。

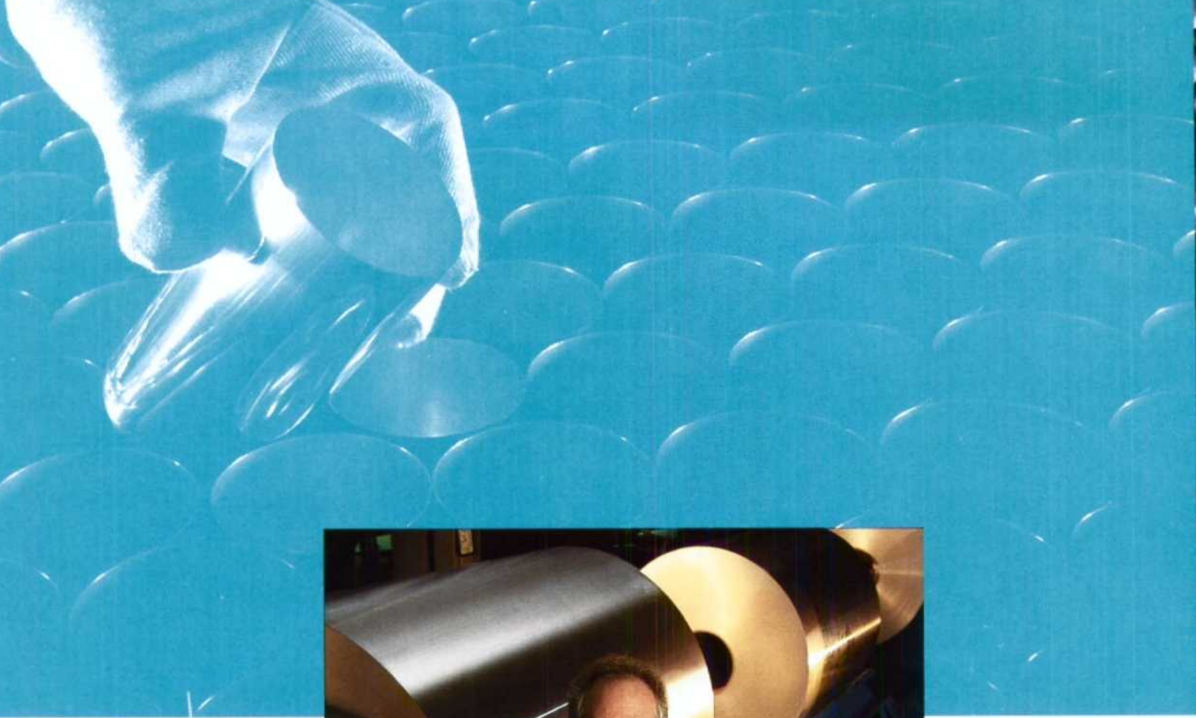
・パッケージング・グループが新しい組織構造を設定。

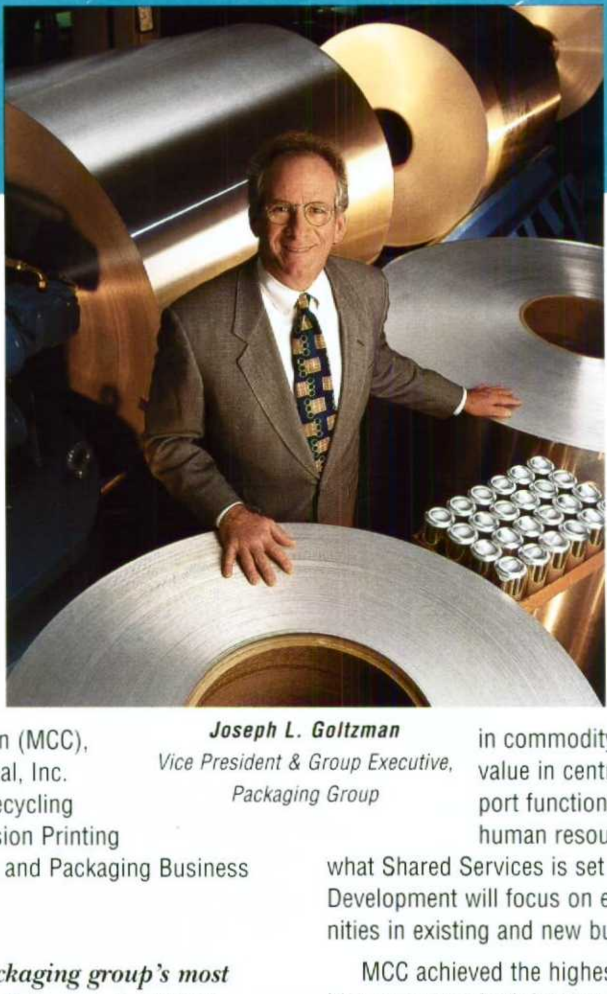
1996年杰出表现

- 金属容器公司(Metal Container Corporation)的品质被客户誉为冠军
- 金属容器公司的金属罐销售量比1995年增加12%
- 金属容器公司持有的市场占有率荣居第二位
- 包装集团建立了新的组织结构

Puntos Destacados de 1996

- *En lo que se refiere a calidad, los clientes calificaron a Metal Container Corporation como la compañía número uno*
- *El volumen de latas vendidas por Metal Container Corporation se incrementó en un 12% sobre el total de 1995*
- *Metal Container Corporation mantuvo el segundo lugar de participación en el mercado*
- *Packaging Group estableció una nueva estructura organizacional*





**Joseph L. Goltzman**
*Vice President & Group Executive, Packaging Group*

## *Q. Please recap the packaging group's role in the corporation.*

**A.** The purpose of Anheuser-Busch's packaging group is to manufacture and recycle primary and secondary packaging for the beverage industry domestically and internationally. The packaging group includes Metal Container Corporation (MCC), Metal Container International, Inc. (MCII), Anheuser-Busch Recycling Corporation (ABRC), Precision Printing and Packaging, Inc. (PPPI) and Packaging Business Services, Inc. (PBS).

## *Q. What were the packaging group's most significant accomplishments in 1996?*

**A.** We enhanced our commitment to customer satisfaction, high quality and low cost in a number of significant ways.

First, we began construction of a new Technology Center in St. Louis to improve our existing packages, support innovation and consider the viability of entering new packaging markets.

In addition, we established a new corporate subsidiary called Packaging Business Services, Inc., which is divided into two areas—Shared Services and Business Development. All of the operations in the packaging group have common customers and suppliers, similar key success factors and are in commodity businesses. So there is value in centralizing service and support functions in administration, human resources and finance. That's what Shared Services is set up to do. Business Development will focus on evaluating growth opportunities in existing and new businesses.

MCC achieved the highest satisfaction level in its history among both beer and soft drink customers, according to customer feedback and surveys. In addition, we achieved record volume and are expanding our market share to strengthen our position as the second-largest can maker in the U.S. To enhance our competitive ability, we also made significant investments in technology to explore and implement product enhancements that add customer and consumer value to our products. For example, we have begun to support our customers' marketing plans by implementing

enhanced graphics capability. Also, we completed the rollout of the reduced-diameter 202 lid to the soft drink industry.

ABRC continued in its role as the high-quality, lowest-cost and largest recycler of aluminum cans.

Volume, sales and profit at PPPI's Clarksville, Tenn., label plant increased to record levels, and its Paris, Texas, folding carton plant completed a major expansion.

***Q.** What was your biggest challenge this year? How did you address it?*

**A.** Our single biggest challenge has been finding ways to grow our can business in the face of increasing competition from other packages, specifically PET (plastic) in the soft drink industry and glass in the brewing industry, as well as from other can manufacturers.

In the U.S., which is our largest market, the image of cans has changed in recent years. Cans have historically been a commodity item and, as such, the focus has traditionally been on efficient, low-cost, high-quality production. The easiest way to achieve this is to make all cans the same.

Today there is more competition than ever for beer market share, making product differentiation critical. At the same time, the growth of import, micro and specialty brews has enhanced the profile of beer. Glass is the most efficient and economical package for these small-run products and, as a result, today's consumers associate glass with an upscale product and image. This has adversely impacted can sales to the beer industry. Although more beer is still sold in cans than bottles, the gap has narrowed.

Given this environment, we have had to alter our vision of what we do.


Our mindset had to change from being a producer of a commodity package to producing a value-added package with marketing appeal.

At MCC, we've aggressively pursued this new vision. We've installed six-color printing capability and introduced cybergraphics, which allows us to print sophisticated graphics on cans. This worked extremely well during the Olympics with Bud and Bud Light, and we have also used this technique on Michelob cans to support the brand's tie-in with golf and skiing.

In addition, we've developed a unique design for a smooth-pour lid opening, which facilitates a quicker pour, and we'll be introducing that in early 1997.

We've also experimented with cans that provide other attractive marketing features, such as fluting.

Bottom line, we are working much more closely with our customers to find ways to help them differentiate their products in an extremely competitive marketplace.

***Q.** You mentioned the fact that unlike other Anheuser-Busch subsidiaries, packaging is essentially a commodity business. In what ways do you operate differently as a result?*

**A.** As with any commodity business, the packaging group business units don't have the ability to differentiate themselves with the final consumer via brand name or image. To succeed, we must provide the highest-quality packaging, operate at the lowest cost, deliver unsurpassed service, develop value-added innovations and continue to focus on expanding and improving our customer partnerships.

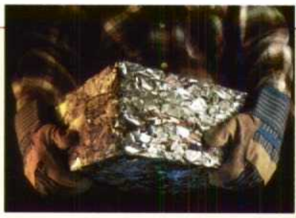
Innovative plant design and efficiency has led MCC to be considered the benchmark in our industry.

*Q. Anheuser-Busch is the only brewer to have extensive packaging operations. How does this benefit the corporation?*

**A.** Packaging is the largest component of our beer company's cost of goods sold. Competing in the packaging business provides a window on the market to this industry. As a result, we develop critical intelligence on the technologies that drive cost and quality. As the industry's lowest-cost, highest-quality producer we strengthen the beer company's ability to manage a key cost component.

*Q. What is the status of Metal Container International (MCII)?*

**A.** MCII was created in 1994 to help Anheuser-Busch International meet its worldwide packaging requirements and to establish a presence for Metal Container outside the U.S. In 1996, MCII continued to export cans to Japan and develop new customers in Central and South America. We will continue to look for opportunities to support Anheuser-Busch International and its partners around the world.



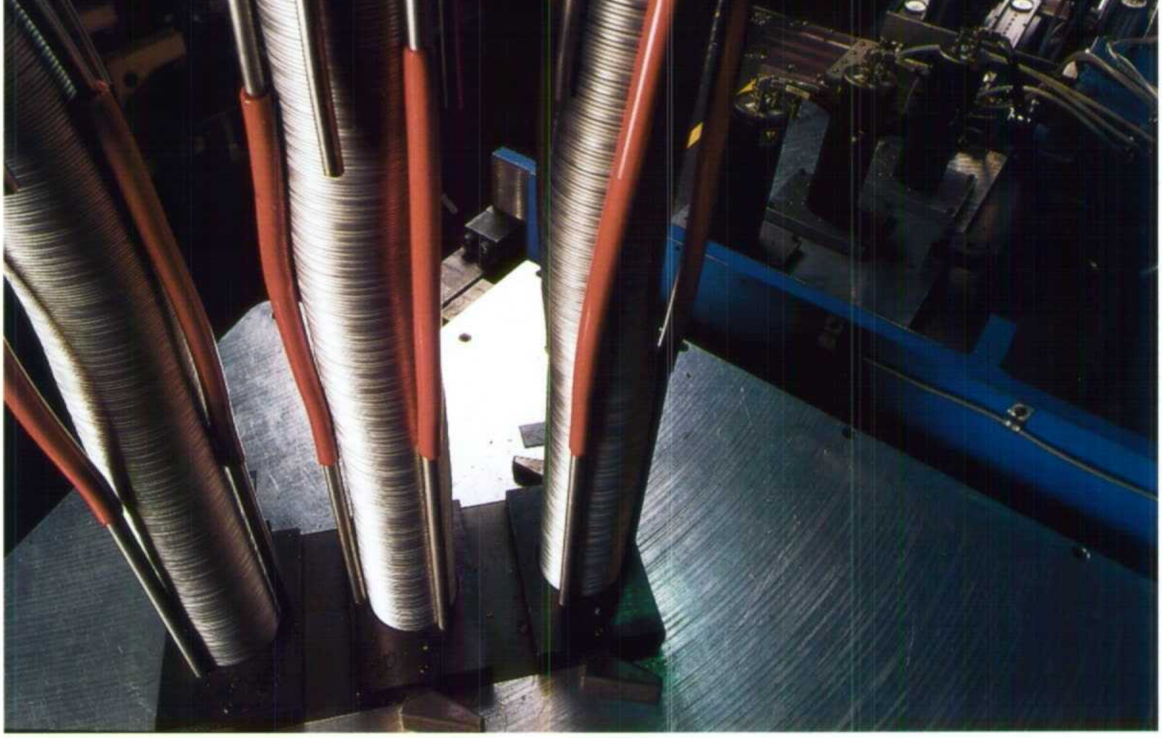
"WE ARE THE MARKET SHARE LEADER IN THE U.S. FOR ALUMINUM RECYCLING AND HAVE BEEN THE LARGEST RECYCLER OF ALUMINUM CANS IN THE WORLD FOR NINE CONSECUTIVE YEARS."

*Q. ABRC has closed or sold several recycling centers in the last year or so. Does this mean the company is getting out of the recycling business?*

**A.** Not at all. We have always purchased most of our metal from outside collectors, such as scrap dealers.

When the family of returnable bottles was still used by our beer company, two of our plants sorted the used bottles for the breweries. These plants were also collection points for used beverage cans in the area. When the family of returnable bottles package was eliminated, we lost our critical mass and those two plants were put up for sale. We also sold two small aluminum recycling plants that never performed to our expectations.

The sale of these plants in no way affects the volume of aluminum we recycle or our commitment to recycling in general. We are the market share leader in the U.S. for aluminum recycling and have been the largest recycler of aluminum cans in the world for nine consecutive years.



## *Q. How did Precision Printing perform in 1996?*

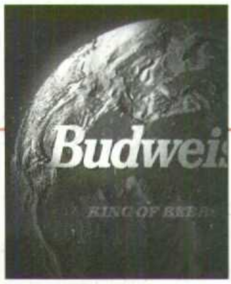
**A.** Our Clarksville, Tenn., label facility produced record volume, sales and earnings. The plant made more than 16 billion labels in 1996.

At our Paris, Texas, plant we are in the process of shifting our customer mix from those who use hand-filled boxes—such as fast-food containers—to those who use machine-filled boxes, such as doughnut and snack cake boxes for the bakery industry and six-pack carriers for beer. Producing precision machine-filled boxes is our competency, and this shift will allow us to capitalize on this strength. We are especially well equipped to handle shorter runs for specialty bakery and beverage brands.


## *Q. Long term (10 years down the road), what is your vision for the packaging group? How will you achieve it?*

**A.** We look forward to continued growth, which will result in increased market share in each existing business, and entry into new businesses consistent with our purpose. We will continue to support our beer operations with innovative packaging that will enhance the image of Anheuser-Busch products.

To achieve this, we will continue to offer the highest-quality products and services, grow and expand customer partnerships, maintain the lowest cost in each of our businesses, focus on innovation and technology, and work hard to maintain our high level of employee commitment.




*ANHEUSER-BUSCH WILL CONTINUE TO GAIN AN INCREASED SHARE OF THE BREWING INDUSTRY IN THE U.S. THE COMPANY WILL ALSO CONTINUE TO GLOBALIZE ITS BEER OPERATIONS BY BUILDING BUDWEISER BRAND EQUITY WORLDWIDE AND MAKING SELECTED INVESTMENTS IN BREWERS WITH LEADING BRANDS IN KEY INTERNATIONAL BEER GROWTH MARKETS.*

## Contents

## INTRODUCTION

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition and liquidity/cash flows of Anheuser-Busch Companies, Inc. for the three-year period ended December 31, 1996. This discussion should be read in conjunction with the Letter to Shareholders, Consolidated Financial Statements and Notes to Consolidated Financial Statements included in this annual report.

Financial results from continuing operations for 1996 and 1995 were impacted by certain significant one-time, nonrecurring transactions and events which make meaningful comparisons to prior years more difficult. The specific transactions and events are summarized below.

## 1996 Transaction:

### 1. Sale of the St. Louis Cardinals National Baseball Club

During the first quarter 1996, the company completed the sale of the St. Louis Cardinals Baseball Club. The sale included Busch Memorial Stadium and several nearby parking garages and other properties in downtown St. Louis. The sale price was $150 million resulting in a $54.7 million pretax gain ($.06 per share) which is shown as a separate line item in the Consolidated Statement of Income.

## 1995 Transactions:

In 1995, Anheuser-Busch announced a series of strategic initiatives designed to focus maximum attention on the company's core businesses, improve future profitability and enhance shareholder value, as follows:

### 1. Divestiture of food products segment

In 1995, Anheuser-Busch announced its intention to divest its food products segment through the tax-free 100% spin-off to shareholders of The Earthgrains Company (formerly known as Campbell Taggart) and the divestiture of the assets of Eagle Snacks, Inc. As such, in accordance with generally accepted accounting principles, in 1995 Anheuser-Busch restated all prior period financial statements and financial information to exclude the historical combined financial results of Earthgrains and Eagle Snacks from detailed financial components. All Earthgrains and Eagle Snacks related financial results and financial information are reported in the Anheuser-Busch consolidated financial statements as "Discontinued Operations," and have no impact on continuing operations.

There was no reported gain or loss on the Earthgrains spin-off. However, Anheuser-Busch recognized $19.8 million in after-tax spin-off related costs and taxes ($.04 per share) in the fourth quarter 1995. Pursuant to the decision to divest Eagle Snacks, Anheuser-Busch recognized a $205.7 million after-tax charge ($.39 per share) in the fourth quarter 1995. The spin-off related costs and taxes and the Eagle Snacks write-off are reported as part of Discontinued Operations.

In connection with the Earthgrains spin-off, each Anheuser-Busch shareholder received one share of Earthgrains voting common stock for every 25 shares of Anheuser-Busch stock owned (25:1 ratio, reflected on a pre-split basis) in a special dividend distributed March 26, 1996. Earthgrains common stock began trading on the New York Stock Exchange as a separate company on March 27, 1996.

Additional information concerning the divestiture of the food products segment is included in Note 3 to the Consolidated Financial Statements.

### 2. Consolidation of brewing capacity resulting in the closure of the Tampa brewery

By utilizing the full production capacity of its new Cartersville, Ga., brewery, plus ongoing modernization programs at its other 11 breweries, Anheuser-Busch has added a significant amount of efficient, lower-cost capacity in recent years. The Tampa brewery was the company's highest cost-per-barrel brewery and, accordingly, was closed in 1995 resulting in a $160 million pretax write-off ($.19 per share) in the fourth quarter 1995.

This write-off is shown as a separate line item on the company's Consolidated Statement of Income. Closing the Tampa brewery generated approximately $33 million of pretax operational cost savings in 1996.

### 3. Reduction of beer wholesaler inventories

In a move designed to provide the freshest possible beer to the marketplace, achieve greater systemwide distribution efficiencies and reduce costs, Anheuser-Busch reduced wholesaler inventories by about one-third during the fourth quarter 1995.

The decision to reduce wholesaler inventories resulted in Anheuser-Busch shipping approximately 1.1 million fewer barrels in the fourth quarter 1995. This reduced net sales by approximately $107 million and reduced operating profits by approximately $74.5 million. This financial impact is not separately identified in the company's Consolidated Statement of Income.

The company maintained relatively low inventory levels throughout 1996 and enters 1997 with inventory levels that continue to be the lowest of all major brewers. The ability to have the freshest beer available provides Anheuser-Busch a significant competitive advantage. The company has communicated its freshness advantage to consumers through a comprehensive marketing campaign, which includes the "Born On" freshness dating on beer packages.

The lower inventory levels have resulted in approximately $12 million in annual systemwide cost savings for Anheuser-Busch's network of beer wholesalers through improved scheduling, lower transportation costs and reduced working capital requirements.

## Conclusion

The above-noted actions have made Anheuser-Busch a more focused and competitive company. By capitalizing on its competitive advantages in its core businesses, Anheuser-Busch plans to achieve three major objectives in coming years in order to generate the highest returns for shareholders:

1. The company will continue to gain an increased share of the brewing industry in the United States (both market share and margin share). Anheuser-Busch was the only major brewer to increase market share and sales volume in 1996. The company will continue to apply its marketing expertise and substantial cash flow to achieve these goals.

2. Anheuser-Busch will continue to globalize its beer operations by building Budweiser brand equity worldwide and making selected investments in brewers with leading brands in key international beer growth markets. International beer volume has averaged double-digit annual growth over the last 15 years and the company made significant marketing investments to build Budweiser brand recognition outside the U.S.

In December 1996, the company announced its intention to purchase an additional 25% equity investment in Mexico's largest brewer, Grupo Modelo. Due diligence is complete and the companies are currently working to resolve differences of opinion concerning certain purchase price adjustments. When finalized, the company expects its total investment to approximate $1 billion. This additional investment reflects the company's commitment to international expansion. Additional information regarding the company's investment in Grupo Modelo can be found in the International Investments section of this discussion and in Note 2 to the Consolidated Financial Statements.

3. The company will support the growth of its packaging and entertainment subsidiaries. Metal Container Corporation (MCC), the company's can manufacturing subsidiary, provides significant efficiencies and cost savings in tandem with brewing operations, and the company will continue to invest in technology and capacity improvements as necessary to support MCC and beer volume growth. The company's Busch Entertainment theme park subsidiary is a significant contributor to corporate earnings and provides Anheuser-Busch with a unique opportunity to showcase the company to approximately 20 million visitors annually.

## CONTINUING OPERATIONS

As previously noted, the significant nonrecurring transactions in 1996 and 1995 make it difficult to directly compare 1996 vs. 1995, and 1995 vs. 1994 financial results from continuing operations. Therefore, key financial comparisons are presented in the following summaries on both a "Normalized Operations" basis (excluding the nonrecurring items) and an "As Reported" basis (including the nonrecurring items) in order to facilitate a more complete understanding of underlying company operating results.

During the second quarter 1996, Anheuser-Busch completed the sale of the majority of the assets of Eagle Snacks, Inc. to Frito-Lay, a subsidiary of PepsiCo. Accordingly, Anheuser-Busch adjusted its previously estimated loss provision for the disposition of the food products segment and recognized a $33.8 million after-tax gain ($.07 per share) during the second quarter. This gain is reported entirely in Discontinued Operations and has no impact on financial results from Continuing Operations.

Key financial comparisons from continuing operations (which exclude the financial results of The Earthgrains Company and Eagle Snacks, Inc.) are summarized below:

***Full Year 1996 vs. 1995 ($ in millions, except per share)***

| | 1996 | | 1995 | | 1996 vs. 1995 | |
|---|---|---|---|---|---|---|
| | Normalized Operations | As Reported | Normalized Operations | As Reported | Normalized Operations | As Reported |
| Gross Sales | $12,622 | $12,622 | $12,131 | $12,004 | Up 4.0% | Up 5.1% |
| Net Sales | 10,884 | 10,884 | 10,448 | 10,340 | Up 4.2% | Up 5.3% |
| Operating Income | 2,029 | 2,084 | 1,867 | 1,633 | Up 8.7% | Up 27.6% |
| Income from Cont. Oper. | 1,123 | 1,156 | 1,032 | 887 | Up 8.8% | Up 30.4% |
| Fully Diluted Earnings per Share | 2.21 | 2.27 | 1.99 | 1.71 | Up 11.1% | Up 32.7% |

***Full Year 1995 vs. 1994 ($ in millions, except per share)***

| | 1995 Normalized Operations | Change vs. 1994 | 1995 As Reported | Change vs. 1994 |
|---|---|---|---|---|
| Gross Sales | $12,131 | Up 3.6% | $12,004 | Up 2.6% |
| Net Sales | 10,448 | Up 4.2% | 10,340 | Up 3.1% |
| Operating Income | 1,867 | Up .8% | 1,633 | Dn 11.9% |
| Income from Cont. Oper. | 1,032 | Up 1.8% | 887 | Dn 12.6% |
| Fully Diluted Earnings per Share | 1.99 | Up 4.5% | 1.71 | Dn 10.2% |

**Detailed financial statement analysis in the remainder of this discussion focuses on continuing operations on a Normalized Operations basis.**

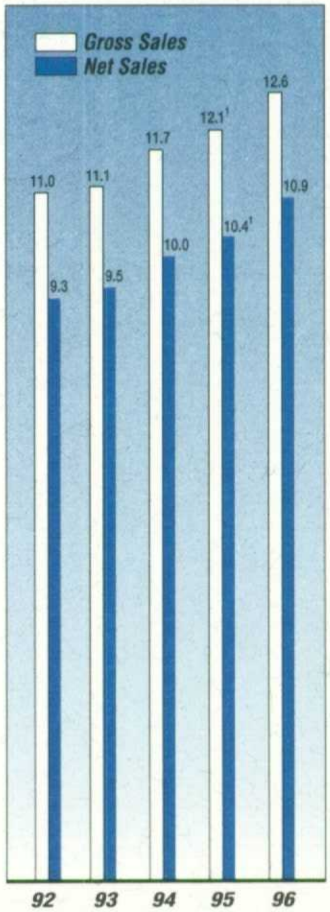
## Sales — 1996 vs. 1995

Anheuser-Busch achieved record gross sales during 1996 of $12.6 billion, an increase of $491 million or 4.0% over 1995 gross sales of $12.1 billion. Gross sales include $1.74 billion in federal and state beer excise taxes for 1996. Net sales for 1996 were also a record, $10.9 billion, an increase of $436 million or 4.2% over 1995 net sales of $10.4 billion.

The increase in gross and net sales in 1996 was driven primarily by increased beer sales volume, higher net revenue per barrel sold and higher theme park revenues. Consolidated sales growth for 1996 would have been even higher if not for lower sales by the company's recycling operations due to lower aluminum prices and lower revenues due to the sale of the St. Louis Cardinals during the first quarter 1996.

***Sales****

*(In billions of $)*




*1 Normalized results, excluding impact of the beer wholesaler inventory reduction. Reported gross and net sales were 12.0 and 10.3, respectively.*

** The difference between gross sales and net sales represents federal and state excise taxes.*

Anheuser-Busch, Inc., the company's brewing subsidiary and largest contributor to consolidated sales, reported record 1996 sales volume of 91.1 million barrels, an increase of 3.6 million barrels, or 4.1%, vs. the 87.5 million barrels sold during 1995.

As previously noted, however, reported 1995 volume amounts were negatively impacted by the beer wholesaler inventory reduction. Excluding the inventory reduction, 1996 beer volume would have increased 2.5 million barrels, or 2.8%, over 1995.

Reported market share for 1996 was 45.2% of industry shipments, an increase of 1.1 share points when compared to 1995 reported market share of 44.1%. Excluding the impact of the wholesaler inventory reduction, Anheuser-Busch's 1995 market share would have been 44.4%. Market share is determined based on industry sales estimates provided by the Beer Institute and includes exports, imports, nonalcohol brews and other malt beverages.

During 1996, Anheuser-Busch's core premium and super-premium brands (the Bud and Michelob Families) continued to gain momentum, with Bud Light growing at an annualized double-digit pace. Overall, Bud Family sales were up almost 2%.

The company's core brands are complemented by a broad portfolio of specialty brands, appealing to all tastes and styles, including Michelob Amber Bock, Michelob HefeWeizen, Red Wolf, the American Originals line and imported Carlsberg and Carlsberg Light.

The company's international beer volume performance was strong during 1996, led by continuing sales expansion in the United Kingdom, Ireland and Japan.

## Sales — 1995 vs. 1994 and 1994 vs. 1993

Gross sales during 1995 of $12.1 billion were 3.6% higher than 1994. Gross sales for 1994 were $11.7 billion, an increase of 5.0% over 1993. Net sales for 1995 of $10.4 billion were 4.2% higher than 1994. Net sales during 1994 were $10.0 billion, an increase of 5.9% over 1993. Gross sales include approximately $1.7 billion in federal and state beer excise taxes for both 1995 and 1994.

Anheuser-Busch, Inc. sold 87.5 million barrels of beer in 1995, including the impact of the beer wholesaler inventory reduction. Excluding the 1995 beer wholesaler inventory reduction, Anheuser-Busch, Inc. would have reported 1995 sales volume of 88.6 million barrels, an increase of 100,000 barrels, or .1%, vs. the 88.5 million barrels sold during 1994.

Sales-to-retailers were up slightly in 1995 as compared to 1994. In 1995, Anheuser-Busch's core premium brands (the Bud and Michelob Families) gained momentum, with Bud Light increasing at a double-digit rate and Michelob Light increasing 9%. Bud Ice sales trends improved throughout 1995. Overall, the company introduced seven new beer brands in 1995.

Anheuser-Busch, Inc. beer sales for 1994 were 88.5 million barrels, an increase of 1.2 million barrels, or 1.4% higher than the 87.3 million barrels sold during 1993. 1994 market share was 44.4%, an increase of .1 of a point, compared to 1993 market share.

The Bud Family was a significant contributor to increased sales volume for 1994 and also contributed to an approximate 1% increase in revenue per barrel for the year. Bud Family sales-to-retailers increased 3.5% for the year, led by Bud Light, which grew at a double-digit rate. In the third quarter 1994, Bud Light became the largest-selling light beer in the country and the second-largest beer brand overall, behind Budweiser.

## Cost of Products and Services

Cost of products and services for 1996 was $7.0 billion, a 2.1% increase over the $6.8 billion reported for 1995. This increase follows 4.6% and 5.3% increases in 1995 and 1994, respectively. The increase in the cost of products and services in 1996 is attributable to increased beer sales volume and increased raw material costs, particularly brewing materials, partially offset by production efficiency savings and lower scrap aluminum prices related to recycling operations.

Gross profit as a percentage of net sales was 36.0% for 1996 compared to 34.7% for 1995, an increase of 1.3 percentage points, reflecting higher net revenue per barrel sold and productivity improvements.

During 1995, beer packaging costs increased substantially as a result of higher aluminum costs. However, such increases were mitigated by the company's having protected pricing on more than half of its 1995 aluminum sheet requirements at prices below market level. As a percent of net sales, gross profit for 1995 decreased .5 of a percentage point compared to 35.2% for 1994.

Cost of products and services for 1994 increased primarily due to higher production costs for the company's brewing subsidiary and other beer-related operations and higher attendance at the company's entertainment operations.

## Marketing, Distribution and Administrative Expenses

Marketing, distribution and administrative expenses for 1996 were $1.89 billion, an increase of 7.6% compared to 1995. These expenses increased in 1996 primarily due to sponsorship of the Centennial Olympic Games in Atlanta, increased spending to support accelerated volume growth for premium brands, global Budweiser brand building initiatives and promotional spending in support of "Born On" freshness dating.

Marketing, distribution and administrative expenses for 1995 were $1.76 billion, an increase of 4.6% compared to 1994. These expenses increased in 1995 primarily due to the addition of marketing and distribution expenses for new beer brands and higher international beer marketing expenses.

Marketing, distribution and administrative costs for 1994 were $1.68 billion, an increase of 4.2% over 1993. The increased expense level for 1994 was primarily the result of the company's new joint venture in Japan which began operations in September 1993.

Areas of cost increase incurred by the company since 1993 include media advertising, point-of-sale materials and developmental expenses associated with new advertising and marketing programs for both established and new products, payroll and related costs, business taxes, supplies and general operating expenses.

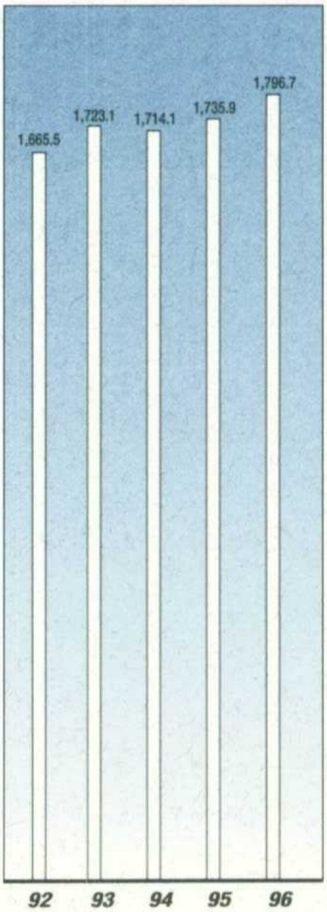
## Employee-Related Costs

Employee-related costs during 1996 totaled $1.80 billion, an increase of $61 million, or 3.5%, vs. 1995 costs of $1.74 billion, and reflect normal increases in salaries, wages and benefit levels. Employee-related costs during 1995 increased $30 million, or 1.8%, vs. 1994 costs of $1.71 billion and again reflect normal increases in salaries, wages and benefit levels. Employee-related costs decreased .5% in 1994, reflecting 10% fewer salaried employees due to the enhanced retirement program offered in 1993.

Salaries and wages paid during 1996 totaled $1.45 billion, an increase of 5.0% vs. 1995. Pension, life insurance and health care benefits amounted to $235.8 million while payroll taxes were $110.1 million, reflecting a decrease of 4.1% and an increase of 1.0%, respectively, compared to 1995. Full-time employees for continuing operations at December 31, 1996 numbered 25,123, compared to 25,181 at December 31, 1995.

During the second quarter of 1994, a four-year labor contract covering the majority of the company's beer production employees was ratified. The contract, which expires February 28, 1998, enhanced a wage and benefits package which was already the most attractive in the industry and established an improved framework for the company to achieve necessary operating productivity increases over time.

**Total Employee-Related Costs**
*(In millions of $)*



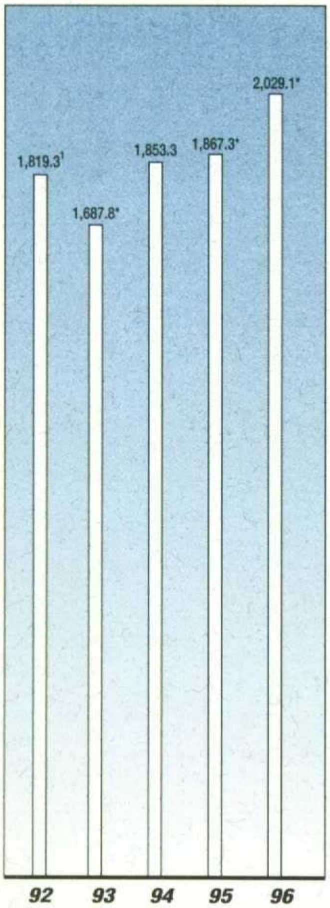
## Taxes

The company is significantly impacted by federal, state and local taxes, including beer excise taxes. Taxes applicable to 1996 operations (not including the many indirect taxes included in materials and services purchased) totaled $2.68 billion and highlight the burden of taxation on the company and the brewing industry in general. Total taxes for 1996 increased $241 million or 9.9% vs. 1995 taxes of $2.44 billion. This follows a decrease of 4.0% in 1995 and an increase of 7.8% in 1994. Total taxes are presented on an as reported basis.

The increase in total taxes for 1996 compared to 1995 is primarily due to higher beer excise taxes from increased beer volume and higher income taxes on the company's higher pretax earnings level in 1996. The significant decrease in total taxes for 1995 compared to 1994 is primarily due to reduced income taxes on lower taxable income, resulting from the costs associated with closing the Tampa brewery and the impact of the beer wholesaler inventory reduction. The beer wholesaler inventory reduction also contributed to slightly lower beer excise taxes in 1995 vs. 1994.

The significant increase in total taxes for 1994 compared to 1993 is due to higher income taxes resulting from the company's substantially higher earnings level compared to 1993. Earnings for 1993 were negatively impacted by a nonrecurring pretax restructuring charge of $401.3 million.

***Operating Income (Continuing Operations Basis)***
*(In millions of $)*




*1 Excludes impact of cumulative accounting changes. Including such impact, operating income would have been $1,704.5.*

** Normalized results, excluding one-time nonrecurring transactions and events. Reported operating income for 1996, 1995 and 1993, which includes all nonrecurring transaction and events, was $2,083.8, $1,632.9 and $1,286.5, respectively.*

## Operating Income, Normalized Basis

Operating income represents the measure of the company's financial performance before interest costs and other nonoperating items.

Operating income for 1996 was $2.03 billion, an increase of $162 million, or 8.7%, as compared to 1995. The increase in 1996 operating income is due primarily to higher beer sales volume and significantly higher beer margins due to improved pricing and continued productivity improvements. Productivity improvements in 1996 generated nearly $100 million in cost savings vs. 1995.

As anticipated, international brewing's profit contribution was down somewhat in 1996 compared to 1995 due to substantially higher investment spending on marketing for global Budweiser brand building and having a full year of operating results for the joint venture in China included in 1996 vs. only partial year results in 1995.

Metal Container Corporation, the company's can manufacturing subsidiary, reported essentially flat profits during 1996 vs. 1995 primarily due to weaker can pricing.

The company's Busch Entertainment theme park subsidiary was a significant contributor to corporate performance through its fifth consecutive year of record attendance and profitability in 1996. Busch Entertainment's year-round theme parks were largely responsible for this record performance which was achieved despite an unusually active hurricane season and a disruption in normal attendance patterns due to the Centennial Olympic Games in Atlanta. The Busch Entertainment facilities achieved aggregate record attendance of approximately 20 million guests in 1996, slightly exceeding the levels achieved in 1995.

Operating income for 1995 was $1.87 billion, an increase of $14 million, or .8%, as compared to 1994. Operating income for 1994 increased 9.8% over 1993 operating income of $1.69 billion. The increase in operating income for 1995 was primarily due to the performance of the company's international beer, packaging and theme park operations.

The increase in operating income for 1994 was primarily the result of positive domestic and international beer performance, offset by lower earnings at the St. Louis Cardinals Baseball Club (attributable primarily to the baseball players' strike).

## Net Interest Cost/Interest Capitalized

Net interest cost (interest expense less interest income) for 1996 was $223.4 million, an increase of $7.4 million, or 3.4%, compared to 1995. The increase in net interest cost in 1996 was due to higher average debt balances outstanding during the period, primarily as a result of financing capital expenditures and share repurchases, largely offset by lower average interest rates.

Net interest cost for 1995 was $216.0 million, a decrease of $.7 million compared to 1994. The decrease in net interest cost in 1995 was primarily the result of higher average interest rates during the year offset by lower average debt balances and higher interest income. Net interest cost for 1994 was $216.7 million, an increase of $15.0 million, or 7.4%, over 1993. The increase in net interest cost in 1994 was due to higher average debt balances outstanding during the period, primarily as a result of financing capital expenditures, share repurchases and international brewing investments.

Specific information regarding company financing activity, including long-term debt activity, capital expenditures, share repurchases and dividends, is presented in the Liquidity and Capital Resources section of this discussion.

Interest capitalized increased $11.2 million, to $35.5 million in 1996, after increasing $2.5 million in 1995. The increases in 1996 and 1995 were due primarily to higher construction-in-progress balances relating to ongoing modernization projects at the company's breweries. Interest capitalized decreased $13.4 million in 1994 as compared to 1993. The decline in 1994 was related to the spring 1993 start-up of the company's brewery in Cartersville, Ga., which resulted in the cessation of interest capitalization for completed areas of this facility.

## Other Income/(Expense), Net

Other income/(expense), net includes numerous items of a nonoperating nature which do not have a material impact on the company's consolidated results of operations, either individually or in the aggregate.

Other (expense), net was $3.0 million in 1996 compared to $20.5 million of other income, net in 1995. The change is primarily due to the reclassification of certain purchase discounts from other income/(expense), net to cost of products and services in 1996. Other income, net was $20.5 million and $17.6 million, respectively, for 1995 and 1994, primarily reflecting dividend income from the Grupo Modelo investment and purchase discounts, offset by numerous miscellaneous items.

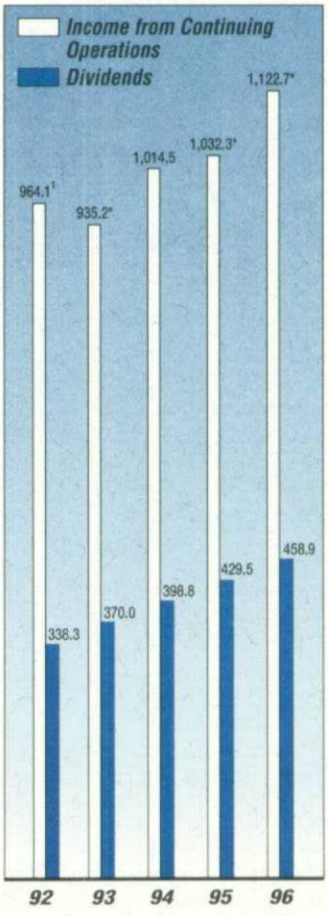
## Income From Continuing Operations, Normalized Basis

Income from continuing operations for 1996 was $1.12 billion, an increase of 8.8% compared to 1995 income from continuing operations of $1.03 billion. 1995 income from continuing operations increased 1.8% compared to 1994. Income from continuing operations for 1994 was $1.01 billion, an increase of 8.5%, over 1993.

The company's effective income tax rate was 38.9% for 1996 compared to 39.1% for 1995. The decrease in the effective rate in 1996 is due to lower state taxes and lower nondeductible costs. The effective tax rate was 39.1% for 1995 vs. 39.5% for 1994. The effective rate for 1994 was 39.5% vs. an effective rate of 42.4% in 1993.

Comparisons with the 1993 effective rate are not meaningful due to the impact of the deferred tax revaluation adjustment (in accordance with FAS 109) to reflect the retroactive impact of the 1% federal tax rate increase signed into law during 1993. Excluding this nonrecurring item, the effective tax rate for 1993 was 39.7%.

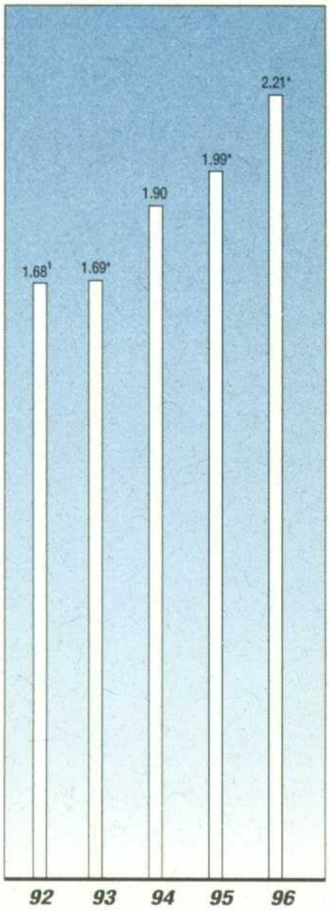
***Income from Continuing Operations*/Dividends on Common Stock***
*(In millions of $)*




*1 Before cumulative effect of accounting changes.*

** Normalized results, excluding one-time nonrecurring transactions and events. Reported income from continuing operations for 1996, 1995 and 1993, which includes all nonrecurring transactions and events, was $1,156.1, $886.6 and $657.2, respectively.*

***Fully Diluted Earnings Per Share from Continuing Operations****




*1 Before cumulative effect of accounting changes.*

** Normalized results, excluding one-time nonrecurring transactions and events. Reported earnings per share for 1996, 1995 and 1993, which include all nonrecurring transactions and events, were $2.27, $1.71 and $1.20, respectively.*

## Fully Diluted Earnings Per Share from Continuing Operations, Normalized Basis

Fully diluted earnings per share from continuing operations for 1996 were $2.21, an increase of $.22, or 11.1%, compared to 1995. Fully diluted earnings per share from continuing operations for 1995 were $1.99, an increase of 4.5% compared to 1994 earnings per share of $1.90. Earnings per share for 1994 increased 12.4% compared to 1993.

Fully diluted earnings per share continue to benefit from the company's ongoing share repurchase program. The company repurchased approximately 22 million shares in 1996, or approximately 4% of outstanding shares.

Fully diluted earnings per share reflect the full conversion of the company's 8% Convertible Debentures Due 1996 as of September 30, 1996, and the elimination of related after-tax interest expense through that date.

### FINANCIAL POSITION

Anheuser-Busch's strong financial profile allows it to pursue profitable growth while providing substantial direct returns to shareholders. Accordingly, the company has established well-defined priorities for its operating cash flow:

**1. Reinvesting in core businesses to achieve profitable growth.** The company will continue to make significant investments in its capital asset base to ensure the highest efficiency and lowest cost in its operations.

**2. Continuing dividend payments to shareholders and repurchasing shares of common stock.** The company has paid dividends in each of the last 63 years. During that time, Anheuser-Busch stock has split on eight different occasions and stock dividends were paid three times. Recognizing the preference of many investors, Anheuser-Busch will continue to repurchase shares of its common stock in the marketplace to provide direct returns to shareholders. The company's current intention is to repurchase 3% to 4% of outstanding common shares each year.

## Liquidity and Capital Resources

The company's primary sources of liquidity are cash provided from operating activities and certain financing activities. Information on the company's consolidated cash flows (categorized by operating activities, financing activities and investing activities) for the years 1996, 1995 and 1994 is presented in the Consolidated Statement of Cash Flows in this annual report.

The principal source of the company's cash flow is cash generated by operations. Additional sources of cash in 1996 included proceeds from the sale of the Cardinals and the sale of the assets of Eagle Snacks. Principal uses of cash are capital expenditures, share repurchases, dividends and new business acquisitions. Cash flow from operations for 1995 was adversely impacted by the reduction in wholesaler inventories.

Working capital at December 31, 1996 was $34.9 million as compared to working capital of $268.6 million at December 31, 1995 and $57.0 million at December 31, 1994. Cash and marketable securities were $93.6 million at December 31, 1996 and 1995.

Total long-term debt was $.8 million higher at December 31, 1996 vs. the balance at December 31, 1995 and was $203.7 million higher at December 31, 1995 vs. December 31, 1994. The change in debt during these periods is detailed on the next page, by key components. Included in the gross reduction in long-term debt for 1996 is the noncash conversion of the company's 8% Convertible Debentures Due 1996.

## Debt Issuances

$773.6 million in debt was issued in 1996, vs. $597.6 million in 1995, as follows:

| Year | Description | Amount (millions) | Interest Rate |
|---|---|---|---|
| 1996 | Long-Term Notes | $450.0 | 6.75% |
| | Dual-Currency Notes | 262.4 | Floating |
| | Industrial Revenue Bonds | 50.7 | Various |
| | Other, Net | 10.5 | Various |
| 1995 | Debentures | $350.0 | Various |
| | Long-Term Notes, Net | 200.0 | 6.75% |
| | Industrial Revenue Bonds | 24.4 | Various |
| | Other, Net | 23.2 | Various |

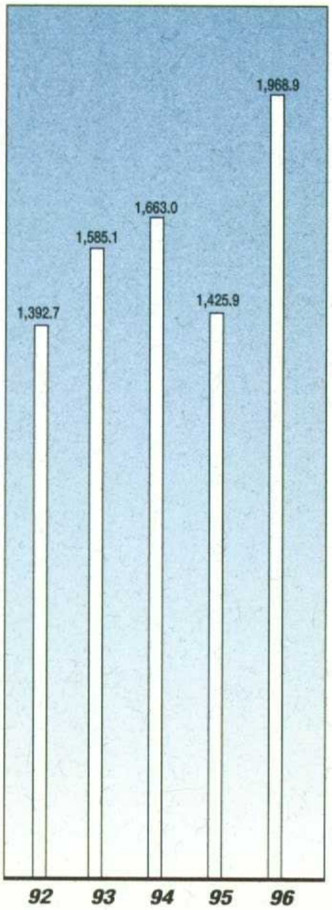
## Debt Reductions

Gross debt reduction was $772.8 million in 1996, vs. $393.9 million in 1995, as follows:

| Year | Description | Amount (millions) | Interest Rate |
|---|---|---|---|
| 1996 | Sinking Fund Debentures | $110.6 | Various |
| | Convertible Debentures | 166.0 | 8% |
| | Medium-Term Notes | 13.0 | 7.43% |
| | Industrial Revenue Bonds | 30.0 | Various |
| | Commercial Paper, Net | 417.0 | Various |
| | ESOP Guarantee | 31.7 | 8.3% |
| | Other, Net | 4.5 | Various |
| 1995 | Convertible Debentures | $67.2 | 8% |
| | Medium-Term Notes, Net | 117.0 | Various |
| | Commercial Paper, Net | 176.8 | Various |
| | ESOP Guarantee | 30.3 | 8.3% |
| | Other, Net | 2.6 | Various |

Gains/losses on debt reduction activities were not material, either individually or in the aggregate, to the company's consolidated financial statements during 1996, 1995 or 1994.

**Cash Flow from Continuing Operations**
*(In millions of $)*




At December 31, 1996 and 1995, there were $155.5 million and $572.5 million, respectively, of outstanding commercial paper borrowings classified as long-term debt. The commercial paper is intended to be maintained on a long-term basis, with ongoing credit support provided by the company's $1 billion revolving credit agreement. Commercial paper can be refinanced with long-term notes or debentures at the company's discretion.

In 1989, the company registered $300 million of seven-year convertible debentures with the Securities and Exchange Commission (SEC) as part of its Wholesaler Investment Program and a total of $241.7 million were issued. The debentures were convertible into preferred stock at a price of $47.60 per share, with each share of preferred stock convertible into one share of common stock. The effective conversion price was adjusted to $23.39 in 1996 to reflect the impact of the spin-off of Earthgrains and the two-for-one stock split.

The debentures matured October 1, 1996 and full conversion to common stock was completed in the third quarter 1996. The company issued 7.5 million and 2.8 million shares, respectively, in 1996 and 1995 in conjunction with conversions. No preferred shares are outstanding as a result of any conversion of the debentures. A total of $166 million of these debentures was outstanding at December 31, 1995.

The company utilizes SEC shelf registration statements to provide financing flexibility. At December 31, 1996, a total of $550 million was available for debt issuance under existing shelf registration statements.

In addition to its long-term debt financing, the company has access to the short-term capital market through its utilization of commercial paper which is supported by its revolving credit facility. During 1994, the company terminated its previous $800 million credit agreements and established a single $1 billion credit agreement which expires August 2001. This agreement provides the company with immediate and continuing sources of liquidity. Further information on the credit agreement can be found in Note 9 to the Consolidated Financial Statements.

The company's ratio of total debt to total capitalization was 44.8% and 47.1% at December 31, 1996 and 1995, respectively. The company's fixed charge coverage ratio was 7.9x for the year ended December 31, 1996 and 7.6x for the year ended December 31, 1995.

A discussion of the company's risk management activities is included in Note 20 to the Consolidated Financial Statements.

## Capital Expenditures

During the next five years, the company plans to continue capital expenditure programs designed to take advantage of growth and productivity improvement opportunities for its beer/beer-related and entertainment segments. Cash flow from operating activities will provide the principal support for these capital investments. However, a capital expenditure program of this magnitude, in combination with share repurchases and possible additional international beer-related investments, may require external financing from time to time. The nature, extent and timing of external financing will vary depending upon the company's evaluation of existing market conditions and other economic factors.

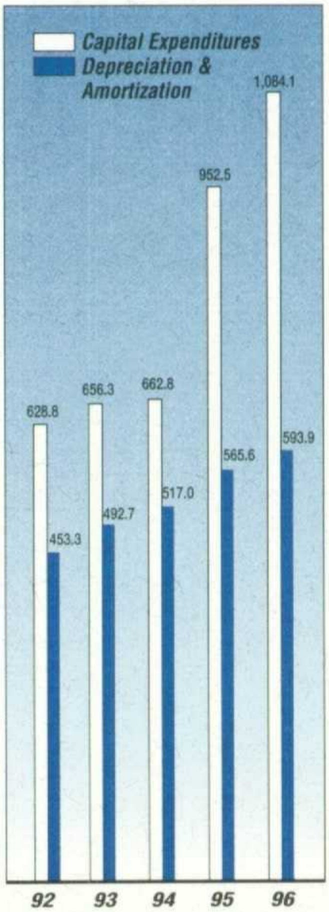
The company has a formal and intensive review procedure for the authorization of capital expenditures. The most important measure of capital project acceptability is its projected discounted cash flow return on investment (DCFROI). Total capital expenditures in 1996 amounted to $1.1 billion as compared with $952.5 million in 1995, an increase of 13.9%. Capital expenditures over the past five years totaled $4.0 billion.

Capital expenditures for 1996 for the company's beer/beer-related operations were $902.5 million, including $90.2 million related to packaging operations. Major expenditures by Anheuser-Busch, Inc. included numerous modernization projects designed to improve productivity and reduce costs at all the company's breweries.

Capital expenditures totaling $151.6 million were made by the company's entertainment operations. Major entertainment expenditures included new Busch Entertainment theme park attractions.

The company expects its capital expenditures in 1997 to approximate $1 billion. Capital expenditures during the five-year period 1997-2001 are expected to approximate $4.5 billion.

**Capital Expenditures/ Depreciation and Amortization**
*(In millions of $)*




## Share Repurchase

The Board of Directors has approved various resolutions in recent years authorizing the company to repurchase shares of its common stock for investment purposes and to meet the requirements of the company's various stock purchase and incentive plans. The most recent resolution was approved by the Board in July 1996 authorizing the repurchase of an additional 50 million shares.

The company acquired 22.2 million, 13.6 million and 21.9 million shares (split-adjusted) of common stock in 1996, 1995 and 1994 for $770.2 million, $393.4 million and $563.0 million, representing approximately 4.4%, 2.6% and 4.1% of common shares outstanding, respectively. At December 31, 1996, approximately 2.6 million shares were available for repurchase under the 1994 authorization and 50 million shares were available under the July 1996 authorization.

## Dividends

Cash dividends paid to common shareholders were $458.9 million in 1996 and $429.5 million in 1995. Dividends on common stock are paid in the months of March, June, September and December of each year. In the third quarter 1996, effective with the September dividend, the Board of Directors increased the quarterly dividend rate by 9.1% from $.22 to $.24 per share. This increased annual dividends per common share by 9.5%, to $.92 in 1996, compared with $.84 per common share in 1995. In 1995, dividends were $.20 per share for the first two quarters and $.22 per share for the last two quarters.

## ACQUISITIONS AND INVESTMENTS

As more fully described in Notes 2 and 6 to the Consolidated Financial Statements, Anheuser-Busch made several major acquisitions and business investments in 1996, 1995 and 1994. A summary of these acquisitions and business investments follows.

### 1996 Transactions

1. In 1993, the company purchased a 17.7% direct and indirect interest in Diblo, the operating subsidiary of Grupo Modelo, Mexico's largest brewer, for $477 million. The purchase agreement gave Anheuser-Busch options to increase its direct investment in Grupo Modelo to approximately 35% and to acquire an additional direct interest in Diblo. In December 1996, Anheuser-Busch announced its intention to purchase an additional 25% interest in Grupo Modelo. Due diligence is complete and the companies are currently working to resolve differences of opinion concerning certain purchase price adjustments. When finalized, the company expects its total investment to approximate $1 billion and Anheuser-Busch will directly and indirectly own 37% of Diblo.

The company will have remaining options, which expire on December 31, 1997, to increase its direct interest in Diblo to approximately 23%. A complete exercise of these options would increase the company's direct and indirect ownership in Diblo to 50.2%. The company has not made a decision as to if, when, or to what extent, it will exercise the remaining Diblo options.

The company accounted for its Modelo investment on the cost basis in 1996, 1995 and 1994. Due to the nature of Anheuser-Busch's initial investment, the company was not required to adjust its Modelo investment to fair market value. In addition, the initial investment was configured such that the company's return was largely protected against devaluation of the Mexican peso. Therefore, the 1994 peso devaluation and subsequent depreciation relative to the U. S. dollar did not have a significant effect on earnings in 1996, 1995 or 1994.

Commensurate with the additional purchase, Anheuser-Busch will begin accounting for its investment in Grupo Modelo on the equity basis and will therefore recognize its pro rata share of Modelo's net earnings as a separate line-item in the Consolidated Statement of Income beginning in 1997. The difference between income recognized on the cost basis in 1996, 1995 and 1994 and what would have been recognized had the company applied equity accounting in those years is not material.

Effective January 1, 1997, Mexico's economy is considered hyperinflationary in accordance with Financial Accounting Standard No. 52 (FAS 52), "Foreign Currency Translation." Under FAS 52, the U.S. dollar becomes the functional currency for entities operating in hyperinflationary environments. As such, the impact of financial statement translation adjustments for monetary assets and liabilities is recognized in earnings in the current period. Accordingly, all translation gains and losses relating to the Modelo investment will be recognized in earnings while the Mexican economy is considered hyperinflationary.

Depending on certain circumstances, primarily the ongoing value of the peso relative to the dollar, hyperinflationary accounting may expose the company to earnings volatility it would not otherwise normally experience. It is anticipated the Mexican economy will cease to be classified as hyperinflationary sometime in late 1998.

2. In April 1996, the company invested $52.5 million to purchase a 5% equity stake in Antarctica Empreendimentos e Participacoes (ANEP), a subsidiary representing approximately 75% of the operations of Companhia Antarctica Paulista (Antarctica), one of Brazil's leading brewers. The investment agreement also provided the company with options to increase its investment to approximately 30% of ANEP beginning April 22, 1996 and generally expiring on April 21, 2002.

Concurrent with the investment in ANEP, the company entered into a joint venture with Antarctica called Budweiser Brasil Ltda. which is owned 51% by Anheuser-Busch and 49% by Antarctica. Under the joint venture agreement, ANEP will contract brew Budweiser on behalf of the joint venture while the joint venture will concentrate on the sales, marketing and distribution of Budweiser in Brazil. The investment in Budweiser Brasil Ltda. is accounted for on a consolidated basis.

As a result of holding certain minority rights under the investment agreement and having gained representation on ANEP's Board of Directors in late 1996, the company will change its method of accounting for the investment in ANEP from the cost to the equity method effective January 1, 1997. The difference between income recognized on the cost basis in 1996 and what would have been recognized had the company applied equity accounting is not material

3. In February 1996, the company entered into an alliance with Companhia Cervecerias Unidas S.A. (CCU) and Buenos Aires Embotelladora S.A. (BAESA). Under the agreement, the company invested cash and donated equipment with a market value of approximately $4 million to CCU-Argentina, a brewing subsidiary of CCU, in exchange for a 4.4% equity interest in CCU-Argentina. The investment agreement also provided the company with options to increase its investment to 20% of CCU-Argentina beginning October 1, 1998 and generally expiring no later than December 31, 2002. The investment in CCU-Argentina is accounted for on a cost basis.

## 1995 Transactions

1. In April 1995, the company entered into a 50% owned joint venture with Scottish Courage Ltd. which consolidated the brewing and packaging of Budweiser in the Stag Brewery at Mortlake in London, England. The joint venture is accounted for on an equity basis.

2. In February 1995, the company finalized the purchase of an 80% interest in a joint venture that owns the Wuhan Brewery, in the fifth-largest city in the People's Republic of China. The brewery has been modified to brew Budweiser for distribution in the northern, central and eastern regions of China. In 1996, the company purchased an additional 5.3% interest in the joint venture pursuant to certain contract provisions. The investment in the Wuhan joint venture is accounted for on a consolidated basis.

## 1994 Transaction

In the fourth quarter 1994, the company purchased a 25% equity interest in Redhook Ale Brewery, Inc. of Seattle, Wash., for $18 million. During 1995, in conjunction with Redhook's initial public offering, Anheuser-Busch invested an additional $12 million to maintain its 25% equity ownership level. The equity investment in Redhook is accounted for on an equity basis.

## COMMON STOCK

A discussion of share repurchases and dividends paid on common stock can be found in the Liquidity and Capital Resources section of this discussion.

At December 31, 1996, common stock shareholders of record numbered 65,079 compared with 64,118 at the end of 1995. Total shares outstanding were 497.4 million at December 31, 1996 compared to 508.0 million at December 31, 1995.

## Price Range of Common Stock

The company's common stock is listed on the New York Stock Exchange (NYSE) under the symbol "BUD." The table below summarizes BUD high and low closing prices on the NYSE.

***PRICE RANGE OF ANHEUSER-BUSCH COMMON STOCK (BUD)***

| | 1996 | | 1995 | |
|---|---|---|---|---|
| **Quarter** | **High** | **Low** | **High** | **Low** |
| First | 35 5/8 | 32 5/8 | 29 1/2 | 25 3/8 |
| Second | 38 1/4 | 32 1/2 | 29 7/8 | 27 5/8 |
| Third | 39 7/8 | 35 3/4 | 32 1/4 | 27 3/8 |
| Fourth | 42 7/8 | 37 3/8 | 34 | 31 |

The closing price of the company's common stock at December 31, 1996 and 1995 was $40 and $33 3/8, respectively.

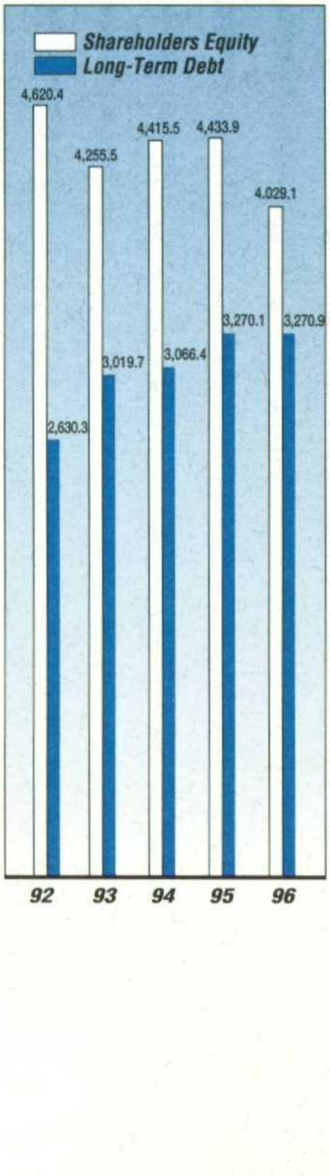
The book value of each share of common stock at December 31, 1996 was $8.10, as compared to $7.22 at December 31, 1995.

## Shareholders Equity

Shareholders equity was $4.03 billion at December 31, 1996, as compared with $4.43 billion at December 31, 1995. The decrease in shareholders equity during the year is attributable to the spin-off of Earthgrains, share repurchases and dividends, offset by net income on an as reported basis and the reduction of the ESOP debt guarantee.

In July 1996, the Board of Directors authorized a two-for-one stock split, effective for shareholders of record August 15, 1996. Certificates for one additional share of Anheuser-Busch common stock for each share held at the record date were distributed to shareholders on September 12, 1996. All share and per share information has been adjusted to reflect the impact of the split.

**Shareholders Equity/ Long-Term Debt**
*(In millions of $)*




## Employee Stock Ownership Plan

As more fully described in Note 11 to the Consolidated Financial Statements, the company added an employee stock ownership plan (ESOP) feature to its existing Deferred Income Stock Purchase and Savings Plans in 1989. At that time, the ESOP borrowed $500 million, guaranteed by the company, and used the proceeds to buy approximately 22.7 million shares of common stock from the company. The ESOP shares are being allocated to participants over 15 years as contributions are made to the plan. Through the various company stock ownership plans, employees of Anheuser-Busch control approximately 10% of the company's outstanding common stock.

### ENVIRONMENTAL MATTERS

The company is subject to federal, state and local environmental protection laws and regulations and is operating within such laws or is taking action aimed at assuring compliance with such laws and regulations. Compliance with these laws and regulations is not expected to materially affect the company's competitive position. None of the Environmental Protection Agency (EPA) designated clean-up sites for which Anheuser-Busch has been identified as a Potentially Responsible Party (PRP) would have a material impact on the company's consolidated financial statements.

The company has traditionally provided a strong commitment to environmental protection. This commitment is manifested through the Environmental Policy Committee, a committee of senior corporate executives which reports to the Board of Directors.

Under the direction of the Environmental Policy Committee, the company is implementing a corporatewide environmental management system based on the Business Charter for Sustainable Development. This system is designed to help ensure compliance with applicable laws, while simultaneously reducing costs.

The company's Environmental Policy, the foundation of the environmental management system, integrates good business practices with sound environmental practices. The policy provides specific guidance for how the environment must be factored into business judgments and mandates special consideration of environmental issues in conjunction with other business issues when any of the company's facilities or business units plan capital projects or changes in processes. In addition, the company is piloting systems to ensure that its standards are met by outside contractors and by suppliers.

### INFLATION

General inflation has not had a significant impact on the company over the past three years and is not expected to have a significant impact in the foreseeable future.

## Consolidated Balance Sheet

*Anheuser-Busch Companies, Inc., and Subsidiaries*

| (In millions)<br>**December 31,** | ***1996*** | **1995** |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and marketable securities | ***$ 93.6*** | $ 93.6 |
| Accounts and notes receivable, less allowance for doubtful accounts of $3.1 and $1.9 in 1996 and 1995 | ***632.7*** | 544.3 |
| Inventories | | |
| Raw materials and supplies | ***319.5*** | 382.2 |
| Work in process | ***80.6*** | 58.6 |
| Finished goods | ***131.0*** | 141.9 |
| Total inventories | ***531.1*** | 582.7 |
| Other current assets | ***208.4*** | 290.0 |
| Total current assets | ***1,465.8*** | 1,510.6 |
| INVESTMENTS AND OTHER ASSETS | ***1,789.6*** | 1,553.3 |
| INVESTMENT IN DISCONTINUED OPERATIONS | — | 764.0 |
| PLANT AND EQUIPMENT, NET | ***7,208.2*** | 6,763.0 |
| Total Assets | ***$10,463.6*** | $10,590.9 |
| | | |
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | ***$ 726.8*** | $ 682.8 |
| Accrued salaries, wages and benefits | ***227.6*** | 247.0 |
| Accrued taxes | ***233.0*** | 86.3 |
| Other current liabilities | ***243.5*** | 225.9 |
| Total current liabilities | ***1,430.9*** | 1,242.0 |
| POSTRETIREMENT BENEFITS | ***524.6*** | 512.1 |
| LONG-TERM DEBT | ***3,270.9*** | 3,270.1 |
| DEFERRED INCOME TAXES | ***1,208.1*** | 1,132.8 |
| COMMON STOCK AND OTHER SHAREHOLDERS EQUITY: | | |
| Common stock, $1.00 par value, authorized 800,000,000 shares | ***705.8*** | 347.3 |
| Capital in excess of par value | ***929.2*** | 1,012.2 |
| Retained earnings | ***6,924.5*** | 6,869.6 |
| Foreign currency translation adjustment | ***(8.8)*** | (12.1) |
| | ***8,550.7*** | 8,217.0 |
| Treasury stock, at cost | ***(4,206.2)*** | (3,436.0) |
| ESOP debt guarantee offset | ***(315.4)*** | (347.1) |
| | ***4,029.1*** | 4,433.9 |
| COMMITMENTS AND CONTINGENCIES | — | — |
| Total Liabilities and Equity | ***$10,463.6*** | $10,590.9 |

*The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 52-71 of this report.*

*Anheuser-Busch Companies, Inc., and Subsidiaries*

(In millions, except per share)

| Year Ended December 31, | *1996* | 1995 | 1994 |
|---|---|---|---|
| Sales | *$12,621.5* | $12,004.5 | $11,705.0 |
| Less federal and state excise taxes | *1,737.8* | 1,664.0 | 1,679.7 |
| Net sales | *10,883.7* | 10,340.5 | 10,025.3 |
| Cost of products and services | *6,964.6* | 6,791.0 | 6,492.1 |
| Gross profit | *3,919.1* | 3,549.5 | 3,533.2 |
| Marketing, distribution and administrative expenses | *1,890.0* | 1,756.6 | 1,679.9 |
| Gain on sale of St. Louis Cardinals | *54.7* | — | — |
| Shutdown of Tampa brewery | — | (160.0) | — |
| Operating income | *2,083.8* | 1,632.9 | 1,853.3 |
| Interest expense | *(232.8)* | (225.9) | (219.3) |
| Interest capitalized | *35.5* | 24.3 | 21.8 |
| Interest income | *9.4* | 9.9 | 2.6 |
| Other income/(expense), net | *(3.0)* | 20.5 | 17.6 |
| Income before income taxes | *1,892.9* | 1,461.7 | 1,676.0 |
| Provision for income taxes: | | | |
| Current | *643.0* | 523.8 | 597.5 |
| Deferred | *93.8* | 51.3 | 64.0 |
| | *736.8* | 575.1 | 661.5 |
| Income from continuing operations | *1,156.1* | 886.6 | 1,014.5 |
| Income/(loss) from discontinued operations | *33.8* | (244.3) | 17.6 |
| NET INCOME | *$ 1,189.9* | $ 642.3 | $ 1,032.1 |
| PRIMARY EARNINGS PER SHARE: | | | |
| Continuing operations | *$ 2.28* | $ 1.72 | $ 1.92 |
| Discontinued operations | *.07* | (.48) | .04 |
| Net income | *$ 2.35* | $ 1.24 | $ 1.96 |
| FULLY DILUTED EARNINGS PER SHARE: | | | |
| Continuing operations | *$ 2.27* | $ 1.71 | $ 1.90 |
| Discontinued operations | *.07* | (.47) | .04 |
| Net income | *$ 2.34* | $ 1.24 | $ 1.94 |

*The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 52-71 of this report.*

## Consolidated Statement of Changes in Shareholders Equity

*Anheuser-Busch Companies, Inc., and Subsidiaries*

(In millions, except per share)

| | Common Stock | Capital in Excess of Par Value | Retained Earnings | Treasury Stock | ESOP Debt Guarantee Offset | Foreign Currency Translation Adjustment |
|---|---|---|---|---|---|---|
| BALANCE AT DECEMBER 31, 1993 | $342.5 | $ 808.7 | $6,023.4 | $(2,479.6) | $(406.5) | $(33.0) |
| Net income | | | 1,032.1 | | | |
| Common dividends paid ($0.76 per share) | | | (398.8) | | | |
| Shares issued under stock plans and conversions of convertible debentures | 1.3 | 48.1 | | | | |
| Reduction of ESOP debt guarantee | | | | | 29.1 | |
| Treasury stock acquired | | | | (563.0) | | |
| Foreign currency translation adjustment | | | | | | 11.2 |
| BALANCE AT DECEMBER 31, 1994 | 343.8 | 856.8 | 6,656.7 | (3,042.6) | (377.4) | (21.8) |
| Net income | | | 642.3 | | | |
| Common dividends paid ($0.84 per share) | | | (429.5) | | | |
| Shares issued under stock plans and conversions of convertible debentures | 3.5 | 155.4 | .1 | | | |
| Reduction of ESOP debt guarantee | | | | | 30.3 | |
| Treasury stock acquired | | | | (393.4) | | |
| Foreign currency translation adjustment | | | | | | 9.7 |
| BALANCE AT DECEMBER 31, 1995 | 347.3 | 1,012.2 | 6,869.6 | (3,436.0) | (347.1) | (12.1) |
| Net income | | | **1,189.9** | | | |
| Common dividends paid ($0.92 per share) | | | **(458.9)** | | | |
| Shares issued under stock plans and conversions of convertible debentures | **9.0** | **266.5** | **3.9** | | | |
| Two-for-one stock split | **349.5** | **(349.5)** | | | | |
| Reduction of ESOP debt guarantee | | | | | **31.7** | |
| Treasury stock acquired | | | | **(770.2)** | | |
| Foreign currency translation adjustment | | | | | | **3.3** |
| Spin-off of The Earthgrains Company | | | **(680.0)** | | | |
| **BALANCE AT DECEMBER 31, 1996** | ***$705.8*** | ***$ 929.2*** | ***$6,924.5*** | ***$(4,206.2)*** | ***$(315.4)*** | ***$ (8.8)*** |

*The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 52-71 of this report.*

## Consolidated Statement of Cash Flows

*Anheuser-Busch Companies, Inc., and Subsidiaries*

(In millions)

| Year Ended December 31, | *1996* | 1995 | 1994 |
|---|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES: | | | |
| Net income | ***$ 1,189.9*** | $ 642.3 | $ 1,032.1 |
| Discontinued operations | ***(33.8)*** | 244.3 | (17.6) |
| Income from continuing operations | ***1,156.1*** | 886.6 | 1,014.5 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | ***593.9*** | 565.6 | 517.0 |
| Deferred income taxes | ***93.8*** | 51.3 | 68.5 |
| After-tax gain on sale of St. Louis Cardinals | ***(33.4)*** | — | — |
| Shutdown of Tampa brewery | — | 112.3 | — |
| Decrease/(increase) in noncash working capital | ***233.7*** | (262.0) | (57.0) |
| Other, net | ***(75.2)*** | 72.1 | 120.0 |
| Cash provided by continuing operations | ***1,968.9*** | 1,425.9 | 1,663.0 |
| Net cash provided by/(provided to) discontinued operations | ***52.0*** | (11.0) | (93.5) |
| Total cash provided by operating activities | ***2,020.9*** | 1,414.9 | 1,569.5 |
| CASH FLOW FROM INVESTING ACTIVITIES: | | | |
| Proceeds from sale of St. Louis Cardinals | ***116.6*** | — | — |
| Capital expenditures | ***(1,084.6)*** | (952.5) | (662.8) |
| New business acquisitions | ***(135.7)*** | (82.9) | (28.8) |
| Cash used for investing activities | ***(1,103.7)*** | (1,035.4) | (691.6) |
| CASH FLOW FROM FINANCING ACTIVITIES: | | | |
| Increase in long-term debt | ***773.6*** | 597.6 | 182.2 |
| Decrease in long-term debt | ***(575.1)*** | (296.4) | (102.5) |
| Dividends paid to shareholders | ***(458.9)*** | (429.5) | (398.8) |
| Acquisition of treasury stock | ***(770.2)*** | (393.4) | (563.0) |
| Shares issued under stock plans | ***113.4*** | 91.8 | 45.5 |
| Cash used for financing activities | ***(917.2)*** | (429.9) | (836.6) |
| Net increase/(decrease) in cash and marketable securities during the year | — | (50.4) | 41.3 |
| Cash and marketable securities, beginning of year | ***93.6*** | 144.0 | 102.7 |
| Cash and marketable securities, end of year | ***$ 93.6*** | $ 93.6 | $ 144.0 |

*The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 52-71 of this report.*

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

This summary of the significant accounting principles and policies of Anheuser-Busch Companies, Inc. and its subsidiaries is presented to assist in evaluating the company's financial statements included in this report. These principles and policies conform to generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions which impact the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

### *Principles of Consolidation*

The Consolidated Financial Statements include the accounts of the company and all its subsidiaries. All significant intercompany transactions have been eliminated.

### *Foreign Currency Translation*

Financial statements of foreign operations where the local currency is the functional currency are translated using exchange rates in effect at period-end for assets and liabilities, and weighted average exchange rates during the period for the results of operations. Related translation adjustments are reported as a separate component of shareholders equity. (Translation practice differs for foreign operations in hyperinflationary economies. See Note 2 for additional discussion).

Adjustments related to foreign currency transactions are recognized in income.

### *Cash and Marketable Securities*

Cash and marketable securities include cash on hand, demand deposits and short-term investments with original maturities of 90 days or less.

### *Excess of Cost Over Net Assets of Acquired Businesses (Goodwill)*

The excess of the cost over the net assets of acquired businesses, which is included in Investments and Other Assets on the Consolidated Balance Sheet, is amortized on a straight-line basis over a period of 40 years. Accumulated amortization at December 31, 1996 and 1995 was $93.7 million and $79.7 million, respectively.

### *Inventories and Production Costs*

Inventories are valued at the lower of cost or market. Cost is determined under the last-in, first-out method (LIFO) for a majority of the company's inventories. See Note 7 for additional discussion.

### *Plant and Equipment*

Plant and equipment is carried at cost and includes expenditures for new facilities and expenditures which substantially increase the useful lives of existing facilities. Maintenance, repairs and minor renewals are expensed as incurred. When plant and equipment are retired or otherwise disposed, the related cost and accumulated depreciation are eliminated and any gain or loss on disposition is reflected in the income statement.

Depreciation is provided on the straight-line method over the estimated useful lives of the assets, resulting in depreciation rates on buildings ranging from 2% to 10% and on machinery and equipment ranging from 4% to 25%.

### *Capitalization of Interest*

Interest relating to the cost of acquiring certain fixed assets is capitalized. The capitalized interest is included as part of the cost of the related asset and is amortized over its estimated useful life.

### *Income Taxes*

The provision for income taxes is based on the income and expense amounts as reported in the Consolidated Statement of Income. The company has elected to utilize certain provisions of federal income tax laws and regulations to reduce current taxes payable. Deferred income taxes are recognized for the effect of temporary differences between financial and tax reporting in accordance with the requirements of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

### *Derivative Financial Instruments*

The company utilizes certain derivative financial instruments, including forward exchange contracts, futures contracts, options and swaps to manage its exposures to foreign currency exchange, commodity price and interest rate risk incurred in the normal course of business. Anheuser-Busch has well-established policies and procedures governing the use of derivatives. The company hedges only actual or anticipated transactions and company policy prohibits the use of derivatives for speculation, including the sale (writing) of freestanding options. The company neither holds nor issues financial instruments for trading purposes.

Under current uses, all derivative instruments are accounted for on the deferral basis. Changes in fair value over the life of the derivatives are recorded in the same category as the underlying asset or liability. Gains or losses upon settlement of derivative positions when the underlying transaction occurs are recognized in the income statement or recorded as part of the underlying asset or liability, as appropriate depending on the circumstances. Option premiums paid are recorded as assets and amortized over the life of the option. Purchased options, foreign exchange contracts and futures contracts generally have initial terms of less than two years.

Derivatives are either regulated exchange instruments which are highly liquid or over-the-counter instruments transacted with highly rated financial institutions. No credit loss is anticipated as the counterparties to nonexchange-traded instruments are major financial institutions having long-term debt ratings from Standard and Poor's or Moody's no lower than A+ or A1, respectively. The fair value of derivative financial instruments is monitored based on the estimated amounts the company would receive or have to pay to terminate the contracts.

See Note 20 for additional discussion.

### *Research and Development, Advertising and Promotional Costs, and Initial Plant Costs*

Research and development, advertising and promotional costs, and certain initial plant costs are expensed in the year in which these costs are incurred. Advertising expenses were $701.3 million, $683.0 million and $672.6 million in 1996, 1995 and 1994, respectively.

### *Common Stock Split*

All share and per share amounts have been adjusted to reflect the two-for-one common stock split distributed on September 12, 1996.

### *Earnings Per Share*

Earnings per share are based on the weighted average number of shares of common stock and common stock equivalents outstanding during the respective years as shown below (in millions):

| | ***1996*** | **1995** | **1994** |
|---|---|---|---|
| Primary weighted average shares | ***505.8*** | 515.7 | 528.2 |
| Fully diluted weighted average shares | ***510.6*** | 524.4 | 538.0 |

Fully diluted earnings per share of common stock reflect the full conversion of the company's convertible debentures in 1996 and the elimination of related after-tax interest expense. Fully diluted earnings per share for 1995 and 1994 assume the conversion of the convertible debentures and the elimination of the related after-tax interest expense.

### *Impairment of Long-Lived Assets, Identifiable Intangible Assets and Goodwill*

The company reviews long-lived assets, identifiable intangibles and goodwill for impairment whenever events or changes in business circumstances indicate the carrying amount of the assets may not be fully recoverable. The company performs nondiscounted cash flow analysis to determine if an impairment exists. If impairment is determined to exist, any related impairment loss is calculated based on the present value of cash flows using discount rates which reflect the inherent risk of the underlying business. Impairment losses on assets to be disposed (if any) are based on the estimated proceeds to be received less costs of disposal.

### *Systems Development Costs*

The company defers systems development costs which meet established criteria. Amounts deferred are amortized to expense over a five-year period. Deferred systems development costs were $83.0 million and $43.7 million in 1996 and 1995, respectively.

### *Stock-Based Compensation*

The company accounts for employee stock options in accordance with Accounting Principles Board No. 25 (APB 25), "Accounting for Stock Issued to Employees." Under APB 25, the company applies the intrinsic value method of accounting and therefore does not recognize compensation expense for options granted, because options are only granted at a price equal to market value on the day of grant.

During 1996, Statement of Financial Accounting Standards No. 123 (FAS 123), "Accounting for Stock Based Compensation," became effective for the company. FAS 123 prescribes the recognition of compensation expense based on the fair value of options determined on the grant date. However, FAS 123 allows companies currently applying APB 25 to continue using that method. The company has therefore elected to continue applying the intrinsic value method under APB 25. For companies that choose to continue applying the intrinsic value method, FAS 123 mandates certain pro forma disclosures as if the fair value method had been utilized. See Note 10 for additional discussion.

### *Investments in Debt and Equity Securities*

The company has certain investments in debt and equity securities which are classified as held-to-maturity in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Unrealized gains or losses on these investments were not material for 1996, 1995 or 1994.

## *2. EXERCISE OF GRUPO MODELO OPTION*

In June 1993, the company purchased a 10% interest in Grupo Modelo (Modelo), Mexico's largest brewer, and a 10% interest in Diblo, its operating subsidiary, for a combined $477 million. Modelo holds 76.75% of the stock of Diblo. Accordingly, the initial investment resulted in an effective Anheuser-Busch ownership (direct and indirect) in Diblo of 17.7%. The original purchase agreement gave the company options to increase its direct investment in Modelo to approximately 35%, plus options to increase its direct investment in Diblo to approximately 23%.

On December 18, 1996, the company announced its intention to exercise its option to purchase the additional 25% stake in Modelo which will result in an effective ownership (direct and indirect) in Diblo of approximately 37%. Due diligence is complete and the companies are currently working to resolve differences of opinion concerning certain purchase price adjustments. When finalized, the company expects its total investment to approximate $1 billion. The company's remaining options on additional Diblo shares expire on December 31, 1997. The company has not made a decision as to if, when, or to what extent, it will exercise the remaining Diblo options.

The company currently accounts for its investments in Modelo and Diblo on the cost basis. Concurrent with finalization of the additional investment in Modelo, the company will adopt the equity method of accounting for both investments. The difference between income recognized on the cost basis in 1996, 1995 and 1994 and what would have been recognized had the company applied equity accounting in those years is not material.

The purchase price will be financed through a combination of operating cash flow and debt issuance.

For foreign operations in countries whose economies are considered highly inflationary (and the U.S. dollar is therefore deemed the functional currency), currency translation practice in accordance with Statement of Financial Accounting Standard No. 52 (FAS 52), "Foreign Currency Translation," requires that property, other long-lived assets, long-term liabilities and related profit and loss accounts be translated at historical rates of exchange. Under FAS 52, net monetary asset and liability related translation adjustments are included in earnings for operations in highly inflationary economies. Effective January 1, 1997, Mexico's economy will be considered highly inflationary for accounting purposes under FAS 52 and, accordingly, all monetary translation gains and losses related to the Modelo and Diblo investments will be recognized in earnings.

## 3. DIVESTITURE OF FOOD PRODUCTS SEGMENT

In the fourth quarter 1995, the Board of Directors approved management's plan to divest the company's food products segment, which included The Earthgrains Company (formerly known as Campbell Taggart) and Eagle Snacks, Inc. Earthgrains was divested in a tax-free 100% spin-off to shareholders on March 26, 1996. In the second quarter 1996, the company sold most of its Eagle Snacks production facilities. Accordingly, the company revised its estimated loss provision for the disposition of the food products segment and recorded a $33.8 million after-tax gain ($.07 per share) in the second quarter which is reported as income from discontinued operations. Because the food products segment is discontinued, amounts in the Consolidated Financial Statements and related Notes for all periods shown have been restated to reflect discontinued operations accounting.

The net assets of the food products segment are reflected as Investment in Discontinued Operations in the Consolidated Balance Sheet at December 31, 1995, and are comprised of the following (in millions):

| | 1995 |
|---|---|
| Current assets | $292.7 |
| Plant and equipment, net | 756.3 |
| Other assets | 264.6 |
| Current liabilities | (253.2) |
| Deferred income taxes | (166.6) |
| Other noncurrent liabilities | (129.8) |
| Net assets | $764.0 |

Sales, income/(loss) before income taxes, and related income tax provision/(benefit) of the food products segment (discontinued operations) were as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 1996 | 1995 | 1994 |
| Sales | $ — | $1,985.0 | $2,028.5 |
| Pretax income/(loss) | $ — | $ (29.2) | $ 31.1 |
| Tax (provision)/benefit | — | 10.4 | (13.5) |
| Net income/(loss) | $ — | $ (18.8) | $ 17.6 |
| Gain/(Loss) on divestiture: | | | |
| Gain/(Loss) on divestiture | $ 53.8 | $ (318.0) | $ — |
| Direct costs of disposal | — | (5.0) | — |
| Estimated operating losses during phase-out period | — | (12.0) | — |
| | 53.8 | (335.0) | — |
| Income tax (provision)/benefit | (20.0) | 109.5 | — |
| Gain/(Loss) on divestiture of the food products segment | $ 33.8 | $ (225.5) | $ — |
| Total income/(loss) from discontinued operations | $ 33.8 | $ (244.3) | $ 17.6 |

## 4. CLOSURE OF THE TAMPA BREWERY

During the fourth quarter 1995, the company closed its brewery located in Tampa, Fla., resulting in a nonrecurring, pretax charge of $160 million ($.19 per share). The charge is comprised of the write-down of the carrying value of plant assets of $113.7 million, employee severance costs of $19.4 million and other disposal costs of $26.9 million. The majority of the brewery's plant and equipment was either sold or disposed during 1996.

## 5. SALE OF THE CARDINALS

During the first quarter 1996, the company completed the sale of its Major League Baseball team, the St. Louis Cardinals. The sale included Busch Memorial Stadium, nearby parking garages and other properties in downtown St. Louis. The sale price was $150 million and resulted in a pretax gain of $54.7 million ($.06 per share), which is presented as a separate line item in the Consolidated Statement of Income.

## 6. ACQUISITIONS AND BUSINESS INVESTMENTS

In April 1996, the company invested $52.5 million to purchase a 5% equity stake in Antarctica Empreendimentos e Participacoes (ANEP), a subsidiary representing approximately 75% of the operations of Companhia Antarctica Paulista (Antarctica), one of Brazil's leading brewers. The investment agreement also provided the company with options to increase its investment to approximately 30% of ANEP beginning April 22, 1996 and expiring, subject to certain conditions, on April 21, 2002.

Concurrent with the investment in ANEP, the company entered into a joint venture with Antarctica called Budweiser Brasil Ltda. which is owned 51% by Anheuser-Busch and 49% by Antarctica. Under the joint venture agreement, ANEP will contract brew Budweiser on behalf of the joint venture while the joint venture will concentrate on the sales, marketing and distribution of Budweiser in Brazil.

As a result of holding certain minority rights and having gained representation on the ANEP Board of Directors in late 1996, the company will change its accounting method for the investment in ANEP from the cost to the equity method effective January 1, 1997. The difference between income recognized on the cost basis in 1996 and what would have been recognized had the company applied equity accounting is not material. The investment in Budweiser Brasil Ltda. is accounted for on a consolidated basis.

In February 1996, the company entered into an alliance with Companhia Cervecerias Unidas S.A. (CCU) and Buenos Aires Embotelladora S.A. (BAESA). The agreement called for the company to invest cash and donate equipment with a market value of approximately $4 million to CCU-Argentina, a brewing subsidiary of CCU operating in Argentina, in exchange for a 4.4% stake in CCU-Argentina. The investment agreement also provided the company with options to increase its investment to 20% of CCU-Argentina beginning on October 1, 1998 and generally expiring no later than December 31, 2002. The investment in CCU-Argentina is accounted for on a cost basis.

In February 1995, the company invested $52.8 million for an 80% interest in a joint venture which owns the Wuhan brewery located in the People's Republic of China (China). Under the original investment agreement, certain minority shareholders retained the right to put their investments to Anheuser-Busch in accordance with the terms of the investment agreement. Effective September 1996, certain minority shareholders exercised their put options, resulting in the company investing an additional $3.5 million in exchange for an additional 5.3% interest in the joint venture.

The joint venture brews and distributes Budweiser and certain local brands primarily in the northern, eastern and central regions of China. An approximate $70-80 million expansion of the Wuhan brewery, which is anticipated to double capacity, is expected to be completed in 1998. The investment is accounted for on a consolidated basis.

In April 1995, the company entered into a joint venture with Scottish Courage Ltd., with each partner owning 50%. The joint venture consolidated the brewing and packaging of Budweiser in the Stag Brewery at Mortlake in London, England. Scottish Courage owns and leases the Stag Brewery site to the joint venture. The investment is accounted for under the equity method.

In the fourth quarter 1994, the company purchased a 25% equity interest in Redhook Ale Brewery, Inc. (Redhook) of Seattle, Wash., for $18 million. In conjunction with Redhook's initial public offering of shares in August 1995, the company invested an additional $12 million to maintain its 25% equity position. Under a distribution alliance agreement, Redhook products are distributed exclusively through Anheuser-Busch wholesalers in substantially all major U.S. markets. The company accounts for the investment under the equity method.

## 7. INVENTORY VALUATION

Approximately 76% of total inventories at both December 31, 1996 and 1995, are stated on the last-in, first-out (LIFO) inventory valuation method. Had the average-cost method (which approximates replacement cost) been used with respect to such inventories at December 31, 1996 and 1995, total inventories would have been $124.3 million and $101.5 million higher, respectively.

## 8. CREDIT AGREEMENT

The company's revolving credit agreements totaling $800 million were terminated in December 1994. These agreements were replaced by a single committed revolving credit agreement, totaling $1 billion, which expires in August 2001. The agreement provides that under certain circumstances the company may select among various loan arrangements with differing maturities and among a variety of interest rates, including a negotiated rate. At December 31, 1996 and 1995, the company had no outstanding borrowings under the agreement. Fees under the agreements were $.7 million, $.8 million and $.8 million in 1996, 1995 and 1994, respectively.

## 9. LONG-TERM DEBT

Long-term debt at December 31 consisted of the following (in millions):

| | 1996 | 1995 |
|---|---|---|
| Commercial paper (weighted average interest rates of 5.3% in 1996 and 5.9% in 1995) | $ 155.5 | $ 572.5 |
| Medium-term Notes Due 1997 to 2001 (interest rates from 5.5% to 8.0%) | 95.0 | 108.0 |
| 8% Convertible Debentures Due 1996 | — | 166.0 |
| 8.75% Notes Due 1999 | 250.0 | 250.0 |
| 5.1% Dual-currency Notes Due 1999 | 262.4 | — |
| 6.9% Notes Due 2002 | 200.0 | 200.0 |
| 6.75% Notes Due 2003 | 200.0 | — |
| 6.75% Notes Due 2005 | 200.0 | 200.0 |
| 7% Notes Due 2005 | 100.0 | 100.0 |
| 6.75% Notes Due 2006 | 250.0 | — |
| 9% Debentures Due 2009 | 350.0 | 350.0 |
| 7.25% Debentures Due 2015 | 150.0 | 150.0 |
| 7.375% Debentures Due 2023 | 200.0 | 200.0 |
| 7% Debentures Due 2025 | 200.0 | 200.0 |
| Sinking Fund Debentures | 151.3 | 261.9 |
| Industrial Revenue Bonds | 157.4 | 136.7 |
| ESOP Debt Guarantee | 315.4 | 347.1 |
| Other Long-term Debt | 33.9 | 27.9 |
| | $3,270.9 | $3,270.1 |

In accordance with FAS 123, the weighted average fair value of stock options granted is required to be based on a theoretical statistical model using the preceding Black-Scholes assumptions. In actuality, because the company's incentive stock options do not trade on a secondary exchange, employees can receive no value nor derive any benefit from holding stock options under these plans without an increase in the market price of Anheuser-Busch stock. Such an increase in stock price would benefit all stockholders commensurately.

Presented below is a summary of stock option plans activity for the years shown:

| | Options | Wtd. Avg. Exercise Price | Options Exercisable | Wtd. Avg. Exercise Price |
|---|---|---|---|---|
| Balance, December 31, 1993 | 23,095,868 | $21.34 | | |
| Granted | 4,759,556 | 24.90 | | |
| Exercised | (2,520,224) | 16.89 | | |
| Cancelled | (464,020) | 26.62 | | |
| Balance, December 31, 1994 | 24,871,180 | $22.37 | 16,273,595 | $20.90 |
| Granted | 5,779,850 | 32.33 | | |
| Exercised | (5,051,464) | 18.59 | | |
| Cancelled | (306,688) | 25.79 | | |
| Balance, December 31, 1995 | 25,292,878 | $25.36 | 15,259,418 | $22.93 |
| Granted | **4,149,588** | **40.59** | | |
| Exercised | **(4,945,152)** | **22.37** | | |
| Cancelled | **(175,973)** | **28.22** | | |
| Balance, December 31, 1996 | **24,321,341** | **$28.55** | **15,234,258** | **$24.67** |

The following table summarizes information for options currently outstanding and exercisable at December 31, 1996:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of Prices | Number | Wtd. Avg. Remaining Life | Wtd. Avg. Exercise Price | Number | Wtd. Avg. Exercise Price |
| **$15-26** | **11,070,753** | **6 yrs** | **$22.10** | **9,798,046** | **$21.74** |
| **27-37** | **9,164,286** | **8 yrs** | **30.93** | **5,436,212** | **29.95** |
| **38-43** | **4,086,302** | **10 yrs** | **40.69** | — | — |
| **$15-43** | **24,321,341** | **7 yrs** | **$28.55** | **15,234,258** | **$24.67** |

Option quantities and prices in the preceding tables have been adjusted for the effect of the spin-off of Earthgrains effective March 26, 1996 and the two-for-one stock split distributed September 12, 1996, for all years shown.

The plans provide for acceleration of exercisability of the options upon the occurrence of certain events relating to a change of control, merger, sale of assets or liquidation of the company (Acceleration Events). Certain of the plans also provide that optionees may be granted Limited Stock Appreciation Rights (LSARs). LSARs become exercisable, in lieu of the option or SAR, upon the occurrence, six months following the date of grant, of an Acceleration Event. These LSARs entitle the holder to a cash payment per share equivalent to the excess of the share value (under terms of the LSAR) over the grant price. As of December 31, 1996 and 1995, there were 1.0 million and 1.7 million, respectively, of LSARs outstanding.

## 11. EMPLOYEE STOCK OWNERSHIP PLAN

In 1989, the company added an Employee Stock Ownership Plan (ESOP) to its existing Deferred Income Stock Purchase and Savings Plans. Substantially all regular salaried and hourly employees are eligible for participation in the ESOP. The ESOP borrowed $500 million for a term of 15 years at an interest rate of 8.3% and used the proceeds to buy approximately 22.7 million shares of common stock from the company. The ESOP debt is guaranteed by the company, and ESOP shares are being allocated to participants over 15 years as contributions are made to the plans.

ESOP cash contributions and ESOP expense accrued during the calendar year are determined by several factors, including the market price and number of shares allocated to participants, ESOP debt service, dividends on unallocated shares and the company's matching contribution. Over the 15-year life of the ESOP, total expense recognized will equal the total cash contributions made by the company.

ESOP cash contributions are made in March and September, based on the plan year which ends March 31. A summary of ESOP cash contributions and dividends on unallocated ESOP shares for the three years ended December 31 is presented below (in millions):

| | 1996 | 1995 | 1994 |
|---|---|---|---|
| Cash contributions | $21.8 | $45.8 | $41.8 |
| Dividends | $10.4 | $10.8 | $10.9 |

Total ESOP expense is allocated to operating expense and interest expense based upon the ratio of principal and interest payments on the debt. Total ESOP expense for the three years ended December 31 is presented below (in millions):

| | 1996 | 1995 | 1994 |
|---|---|---|---|
| Operating expense | $14.3 | $19.6 | $23.3 |
| Interest expense | 11.6 | 18.0 | 24.0 |
| Total expense | $25.9 | $37.6 | $47.3 |

## 12. RETIREMENT BENEFITS

### Pension Plans

The company has pension plans covering substantially all of its regular employees. Total pension expense for the three years ended December 31 is presented below (in millions):

| | 1996 | 1995 | 1994 |
|---|---|---|---|
| Single-employer defined benefit plans | $18.6 | $29.6 | $27.1 |
| Multi-employer plans | 20.2 | 26.1 | 25.5 |
| Defined contribution plans | 18.3 | 15.0 | 15.1 |
| | $57.1 | $70.7 | $67.7 |

Net pension expense for single-employer defined benefit plans was comprised of the following for the three years ended December 31 (in millions):

| | 1996 | 1995 | 1994 |
|---|---|---|---|
| Service cost (benefits earned during the year) | $49.3 | $41.0 | $42.3 |
| Interest cost on projected benefit obligation | 76.3 | 64.4 | 60.2 |
| Assumed return on assets | (107.9) | (80.6) | (68.9) |
| Amortization of prior service cost, actuarial gains/losses and the excess of market value of plan assets over projected benefit obligation at January 1, 1986 | .9 | 4.8 | (6.5) |
| Net pension expense | $18.6 | $29.6 | $27.1 |

The key actuarial assumptions used in determining annual pension expense for single-employer defined benefit plans were as follows for the years ended December 31:

| | 1996 | 1995 | 1994 |
|---|---|---|---|
| Discount rate | 7.5% | 8.0% | 7.5% |
| Long-term rate of return on plan assets | 10.0% | 10.0% | 10.0% |
| Weighted-average rate of compensation increase | 5.5% | 5.5% | 5.5% |

The actual dollar return on pension assets was $142.3 million, $140.9 million and $12.5 million in 1996, 1995 and 1994, respectively.

The following tables set forth the funded status of all company single-employer defined benefit plans at December 31 (in millions):

| | 1996 | 1995 |
|---|---|---|
| Plan assets at fair market value—primarily corporate equity securities and publicly traded bonds | $1,237.4 | $935.8 |
| Accumulated benefit obligation: | | |
| Vested benefits | (846.7) | (724.5) |
| Nonvested benefits | (84.1) | (61.7) |
| Accumulated benefit obligation | (930.8) | (786.2) |
| Effect of projected compensation increases | (180.5) | (138.6) |
| Projected benefit obligation | (1,111.3) | (924.8) |
| Plan assets in excess of projected benefit obligation | $ 126.1 | $ 11.0 |

Plan assets in excess of projected benefit obligation consist of the following at December 31:

| | 1996 | 1995 |
|---|---|---|
| Unamortized excess of market value of plan assets over projected benefit obligation at January 1, 1986 being amortized over 15 years | $ 40.5 | $33.6 |
| Unrecognized net actuarial (losses) | (7.8) | (21.9) |
| Prior service costs | (73.9) | (81.4) |
| Prepaid pension | 167.3 | 80.7 |
| | $126.1 | $11.0 |

The assumptions used in determining the funded status of the plans as of December 31 were as follows:

| | 1996 | 1995 |
|---|---|---|
| Discount rate | 7.75% | 7.5% |
| Weighted-average rate of compensation increase | 5.5% | 5.5% |

Contributions to multi-employer plans in which the company and its subsidiaries participate are determined in accordance with the provisions of negotiated labor contracts and are based on employee hours worked.

### *Postretirement Benefits*

The company provides certain health care and life insurance benefits to eligible retired employees. Salaried participants generally become eligible for retiree health care benefits after reaching age 55 with 10 years of service, or after reaching age 65. Bargaining unit employees generally become eligible for retiree health care benefits after reaching age 55 with from 10 to 15 years of service, or after reaching age 65.

The following table sets forth the accumulated postretirement benefit obligation (APBO) and the total postretirement benefit liability for all single-employer defined benefit plans at December 31 (in millions):

| | 1996 | 1995 |
|---|---|---|
| Retirees | $125.4 | $141.1 |
| Fully eligible active plan participants | 77.0 | 135.1 |
| Other active plan participants | 94.2 | 74.0 |
| Accumulated postretirement benefit obligation (APBO) | 296.6 | 350.2 |
| Unrecognized prior service benefits | 111.2 | 125.5 |
| Unrecognized net actuarial gains | 128.8 | 51.8 |
| Total postretirement benefit liability | $536.6 | $527.5 |

As of December 31, 1996 and 1995, $12.0 million and $15.4 million of this obligation were classified as current liabilities and $524.6 million and $512.1 million were classified as long-term liabilities, respectively.

Net periodic postretirement benefits expense for single-employer defined benefit plans was comprised of the following for the three years ended December 31 (in millions):

| | 1996 | 1995 | 1994 |
|---|---|---|---|
| Service cost (benefits attributed to service during the year) | $17.1 | $20.8 | $16.4 |
| Interest cost on accumulated postretirement benefit obligation | 22.9 | 23.9 | 25.8 |
| Amortization of prior service (benefit) | (11.7) | (11.8) | (11.5) |
| Amortization of actuarial (gain)/loss | (7.4) | — | .3 |
| Net periodic postretirement benefits expense | $20.9 | $32.9 | $31.0 |

In measuring the APBO, annual trend rates for health care costs of 9.0%, 12.5% and 12.5% were assumed for 1996, 1995 and 1994, respectively. These rates were assumed to decline ratably over the subsequent 9-12 years to 6.5% and remain at that level thereafter. The weighted average discount rate used in determining the APBO was 8.25% and 8.0%, respectively, at December 31, 1996 and 1995.

If the assumed health care cost trend rate changed by 1%, the APBO as of December 31, 1996 would change by 15.3%. The effect of a 1% change in the cost trend rate on the service and interest cost components of net periodic postretirement benefits expense would be a change of 19.4%.

## 13. INCOME TAXES

The provision for income taxes consists of the following for the three years ended December 31 (in millions):

| | 1996 | 1995 | 1994 |
|---|---|---|---|
| Current tax provision: | | | |
| Federal | $490.9 | $435.4 | $480.2 |
| State and foreign | 106.8 | 106.4 | 108.4 |
| | 597.7 | 541.8 | 588.6 |
| Deferred tax provision: | | | |
| Federal | 139.2 | (76.6) | 74.1 |
| State and foreign | 19.9 | (10.0) | 12.3 |
| | 159.1 | (86.6) | 86.4 |
| Total tax provision | $756.8 | $455.2 | $675.0 |

The provision for income taxes included in the Consolidated Statement of Income is as follows (in millions):

| | 1996 | 1995 | 1994 |
|---|---|---|---|
| Continuing operations | $736.8 | $575.1 | $661.5 |
| Discontinued operations | 20.0 | (119.9) | 13.5 |
| Total tax provision | $756.8 | $455.2 | $675.0 |

The deferred tax provision results from differences in the recognition of income and expense for tax and financial reporting purposes. The primary differences for continuing operations are related to fixed assets (tax effect of $56.9 million in 1996, $45.4 million in 1995 and $63.3 million in 1994) and the Tampa brewery closure benefit ($52.2 million) in 1995.

At December 31, 1996 the company had deferred tax liabilities of $1,741.0 million and deferred tax assets of $532.9 million. The temporary differences included in deferred tax liabilities are primarily related to fixed assets ($1,481.8 million). The temporary differences included in deferred tax assets are related to accrued postretirement benefits ($203.4 million), closure of the Tampa brewery ($54.4 million) and other accruals and temporary differences ($275.1 million) which are not deductible for tax purposes until paid or utilized.

The company's effective tax rate for continuing operations was 38.9% in 1996, 39.3% in 1995 and 39.5% in 1994. A reconciliation between the statutory tax rate and the effective tax rate for continuing operations is presented below:

| | 1996 | 1995 | 1994 |
|---|---|---|---|
| Federal statutory tax rate | 35.0% | 35.0% | 35.0% |
| State income taxes, net of federal benefit | 3.6 | 4.0 | 4.0 |
| Other | .3 | .3 | .5 |
| Effective tax rate | 38.9% | 39.3% | 39.5% |

## 14. CASH FLOWS

For purposes of the Statement of Cash Flows, all short-term investments, generally with original maturities of 90 days or less, are considered cash equivalents. The effect of currency exchange rate fluctuations was not material for 1996, 1995 and 1994. Accounts payable include $92.8 million and $86.9 million, respectively, of outstanding checks at December 31, 1996 and 1995.

Supplemental information with respect to the Statement of Cash Flows for the three years ended December 31 is presented below (in millions):

| ***Cash paid during the year:*** | **1996** | **1995** | **1994** |
|---|---|---|---|
| Interest, net of interest capitalized | ***$ 208.0*** | $ 198.0 | $ 200.8 |
| Income taxes | ***533.6*** | 546.6 | 575.8 |
| Excise taxes | ***1,720.1*** | 1,680.6 | 1,692.0 |
| ***Noncash financing activities:*** | | | |
| Conversions of 8% convertible debentures | ***$ 166.0*** | $ 67.2 | $ 3.9 |
| ***Changes in noncash working capital:*** | | | |
| Decrease/(increase) in noncash current assets: | | | |
| Accounts receivable | ***$ (88.4)*** | $ 54.2 | $ (47.2) |
| Inventories | ***51.6*** | (51.9) | 5.0 |
| Other current assets | ***81.6*** | (17.2) | 1.7 |
| Increase/(decrease) in current liabilities: | | | |
| Accounts payable | ***44.0*** | (73.8) | 54.2 |
| Accrued salaries, wages and benefits | ***(19.4)*** | 8.1 | 44.3 |
| Accrued taxes | ***146.7*** | (10.3) | (14.6) |
| Restructuring accrual | ***—*** | (50.2) | (87.3) |
| Other current liabilities | ***17.6*** | (120.9) | (13.1) |
| Decrease/(increase) in noncash working capital | ***$ 233.7*** | $ (262.0) | $ (57.0) |

## 15. PREFERRED AND COMMON STOCK

### Stock Activity

Activity for the company's common stock for the three years ended December 31 is summarized below:

| | **Common Stock Issued** | **Common Stock in Treasury** |
|---|---|---|
| ***Balance, December 31, 1993*** | 685,164,878 | (151,091,528) |
| Shares issued under stock plans | 2,266,326 | — |
| Conversion of convertible debentures | 163,854 | — |
| Net treasury stock acquired | — | (21,922,816) |
| ***Balance, December 31, 1994*** | 687,595,058 | (173,014,344) |
| Shares issued under stock plans | 4,123,070 | — |
| Conversion of convertible debentures | 2,812,120 | — |
| Net treasury stock acquired | — | (13,562,980) |
| ***Balance, December 31, 1995*** | 694,530,248 | (186,577,324) |
| Shares issued under stock plans | **3,726,242** | **—** |
| Conversion of convertible debentures | **7,535,902** | **—** |
| Net treasury stock acquired | **—** | **(21,857,871)** |
| ***Balance, December 31, 1996*** | **705,792,392** | **(208,435,195)** |

At December 31, 1996 and 1995, 40,000,000 shares of $1.00 par value preferred stock were authorized and unissued.

### *Stock Repurchase Programs*

The Board of Directors has approved various resolutions authorizing the company to purchase shares of its common stock for investment purposes and to meet the requirements of the company's various stock purchase and incentive plans. The most recent resolution was approved by the Board in July 1996 and authorized the repurchase of 50 million shares. The company has acquired 22.2 million, 13.6 million and 21.9 million shares of common stock in 1996, 1995 and 1994 for $770.2 million, $393.4 million and $563.0 million, respectively. At December 31, 1996, approximately 2.6 million shares were available for repurchase under the 1994 authorization and 50 million shares remained available under the July 1996 authorization.

### *Stockholder Rights Plan*

The Board of Directors adopted a Stockholder Rights Plan in 1985 (extended in 1994) which in certain circumstances would permit shareholders to purchase common stock at prices which would be substantially below market value.

## *16. COMMITMENTS AND CONTINGENCIES*

In connection with plant expansion and improvement programs, the company had commitments for capital expenditures of approximately $388.7 million at December 31, 1996. Obligations under capital and operating leases are not material.

The company and certain of its subsidiaries are involved in certain claims and legal proceedings in which monetary damages and other relief are sought. The company is vigorously contesting these claims. However, resolution of these claims is not expected to occur quickly, and their ultimate outcome cannot presently be predicted. It is the opinion of management that the ultimate resolution of all existing claims, legal proceedings and other contingencies, either individually or in the aggregate, will not materially affect either the company's financial position, liquidity or results of operations.

## *17. BUSINESS SEGMENTS*

The company's principal business segments are beer/beer-related and entertainment. The beer/beer-related segment produces and sells the company's beer products. Included in this segment are the company's raw material acquisition, malting, can manufacturing, recycling, communications and transportation operations.

The entertainment segment consists of the company's Sea World, Busch Gardens and other theme parks and real estate development operations.

Sales between segments, export sales and non-U.S. sales are not material. The company's equity in earnings of affiliated companies is included in other income and expense. No single customer accounted for more than 10% of sales.

Summarized below is the company's business segment information for 1996, 1995 and 1994 (in millions). Intersegment sales have been eliminated from each segment's reported net sales.

| | Net Sales (1) | | | Operating Income (2) (3) (4) | | |
|---|---|---|---|---|---|---|
| | 1996 | 1995 | 1994 | 1996 | 1995 | 1994 |
| Beer/beer-related | $10,143.9 | $ 9,585.9 | $ 9,283.8 | $1,934.2 | $1,557.7 | $1,784.5 |
| Entertainment | 739.8 | 754.6 | 741.5 | 149.6 | 75.2 | 68.8 |
| Consolidated | $10,883.7 | $10,340.5 | $10,025.3 | $2,083.8 | $1,632.9 | $1,853.3 |

*(1) Net sales for 1995 include the adverse impact of the beer wholesaler inventory reduction.*

*(2) Operating income excludes other expense, net, which is not allocated among segments. For 1996, 1995 and 1994, other expense, net of $190.9 million, $171.2 million and $177.3 million, includes net interest expense, other income and expense, and equity in earnings of affiliated companies.*

*(3) Operating income for 1996 includes the $54.7 million pretax gain on the sale of the Cardinals.*

*(4) Operating income for 1995 includes the impact of the one-time, pretax charge of $160.0 million for the closure of the Tampa brewery, and the adverse impact of the beer wholesaler inventory reduction.*

| | Identifiable Assets (5) | | | Depreciation and Amortization Expense | | |
|---|---|---|---|---|---|---|
| | 1996 | 1995 | 1994 | 1996 | 1995 | 1994 |
| Beer/beer-related | $ 8,458.6 | $ 7,915.4 | $ 7,719.0 | $493.9 | $469.2 | $427.5 |
| Entertainment | 1,484.3 | 1,463.1 | 1,426.7 | 78.5 | 77.6 | 72.5 |
| Corporate | 520.7 | 448.4 | 404.4 | 21.5 | 18.8 | 17.0 |
| Discontinued operations | — | 764.0 | 997.3 | — | — | — |
| Consolidated | $10,463.6 | $10,590.9 | $10,547.4 | $593.9 | $565.6 | $517.0 |

*(5) Corporate assets principally include cash, marketable securities and certain fixed assets.*

| | Capital Expenditures | | |
|---|---|---|---|
| | 1996 | 1995 | 1994 |
| Beer/beer-related | $ 902.5 | $808.8 | $539.3 |
| Entertainment | 151.6 | 101.9 | 96.2 |
| Corporate | 30.5 | 41.8 | 27.3 |
| Consolidated | $1,084.6 | $952.5 | $662.8 |

## 18. SUPPLEMENTAL INFORMATION

The components of plant and equipment, net, are summarized below (in millions):

| | 1996 | 1995 |
|---|---|---|
| Land | $ 237.9 | $ 248.4 |
| Buildings | 3,172.2 | 3,081.7 |
| Machinery and equipment | 8,148.8 | 7,333.3 |
| Construction in progress | 655.8 | 656.3 |
| | 12,214.7 | 11,319.7 |
| Accumulated depreciation | (5,006.5) | (4,556.7) |
| | $ 7,208.2 | $ 6,763.0 |

The components of investments and other assets are summarized below (in millions):

| | 1996 | 1995 |
|---|---|---|
| Investments in and advances to affiliated companies | $ 741.2 | $ 671.6 |
| Investment properties | 129.3 | 125.2 |
| Deferred charges | 483.3 | 312.7 |
| Goodwill | 435.8 | 443.8 |
| | $ 1,789.6 | $ 1,553.3 |

Summarized below is selected financial information for Anheuser-Busch, Inc. (a wholly owned subsidiary of Anheuser-Busch Companies, Inc.) for the years ended December 31 (in millions):

| | 1996 (3) | 1995 (3) | 1994 (3) |
|---|---|---|---|
| Income Statement Information: | | | |
| Net sales | $ 8,100.3 | $ 7,594.9 | $7,797.3 |
| Gross profit | 3,172.4 | 2,889.6 | 2,937.7 |
| Income from continuing operations (1) (2) | 907.1 | 713.7 | 854.1 |
| Balance Sheet Information: | | | |
| Current assets | $ 526.9 | $ 550.1 | |
| Noncurrent assets | 13,772.8 | 13,004.6 | |
| Current liabilities | 671.0 | 670.4 | |
| Noncurrent liabilities (1) | 3,569.7 | 3,725.2 | |

*(1) Anheuser-Busch, Inc. is co-obligor for substantially all outstanding Anheuser-Busch Companies, Inc. indebtedness. Accordingly, all such guaranteed debt is included as an element of noncurrent liabilities, with interest thereon included in the determination of income from continuing operations.*

*(2) Income from continuing operations for 1995 reflects the after-tax charge of $99.2 million relating to the closure of the Tampa brewery, and the after-tax impact of the beer wholesaler inventory reduction.*

*(3) Net sales for 1994 include export sales. In 1995, the company changed its sales reporting to exclude export sales from Anheuser-Busch, Inc. results.*

## 19. QUARTERLY FINANCIAL DATA (UNAUDITED)

| Year Ended December 31, 1996 | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Annual |
|---|---|---|---|---|---|
| Net Sales | $2,371.8 | $2,961.1 | $3,063.5 | $2,487.3 | $10,883.7 |
| Gross Profit | 833.7 | 1,114.8 | 1,177.8 | 792.8 | 3,919.1 |
| Income from continuing operations | 275.5 | 353.4 | 377.2 | 150.0 | 1,156.1 |
| Income from operations of discontinued segment | — | 33.8 | — | — | 33.8 |
| Net Income | $ 275.5 | $ 387.2 | $ 377.2 | $ 150.0 | $ 1,189.9 |
| Fully diluted earnings per share: | | | | | |
| Income from continuing operations | $ .53 | $ .70 | $ .74 | $ .30 | $ 2.27 |
| Income from operations of discontinued segment | — | .07 | — | — | .07 |
| Net Income | $ .53 | $ .77 | $ .74 | $ .30 | $ 2.34 |

First quarter 1996 income from continuing operations includes the nonrecurring after-tax gain of $33.4 million related to the sale of the St. Louis Cardinals.

| Year Ended December 31, 1995 | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Annual |
|---|---|---|---|---|---|
| Net Sales | $2,318.2 | $2,823.2 | $2,966.5 | $2,232.6 | $10,340.5 |
| Gross Profit | 776.8 | 1,027.8 | 1,088.0 | 656.9 | 3,549.5 |
| Income/(Loss) from continuing operations | 221.7 | 329.9 | 343.9 | (8.9) | 886.6 |
| (Loss) from operations of discontinued segment | (5.6) | (0.8) | (4.2) | (8.2) | (18.8) |
| (Loss) on disposal of discontinued segment | — | — | — | (225.5) | (225.5) |
| Net Income/(Loss) | $ 216.1 | $ 329.1 | $ 339.7 | $ (242.6) | $ 642.3 |
| Fully diluted earnings per share: | | | | | |
| Income/(Loss) from continuing operations | $ .43 | $ .63 | $ .66 | $ (.01) | $ 1.71 |
| (Loss) from operations of discontinued segment | (.01) | — | (.01) | (.02) | (.03) |
| (Loss) on disposal of discontinued segment | — | — | — | (.44) | (.44) |
| Net Income/(Loss) | $ .42 | $ .63 | $ .65 | $ (.47) | $ 1.24 |

Fourth quarter 1995 income from continuing operations includes the nonrecurring after-tax charge of $99.2 million ($.19 per share) related to the closure of the Tampa brewery, and the after-tax impact of the beer wholesaler inventory reduction.

## 20. RISK MANAGEMENT

In the ordinary course of business, Anheuser-Busch is exposed to foreign currency exchange, interest rate and commodity price risks. These exposures primarily relate to the sale of product to foreign customers, purchases from foreign suppliers, acquisition of raw materials from both domestic and foreign suppliers, and changes in interest rates.

The company attempts to mitigate these exposures with derivative financial instruments, primarily through purchased options and forward contracts for foreign exchange risk; swaps for interest rate risk; and futures, swaps and purchased options for commodity price risk. Specific hedging strategies depend on several factors, including the magnitude of the exposure, natural offset through contract terms, cost and availability of appropriate instruments, the anticipated time horizon and the nature of the item being hedged. The company's overall risk management objective is to obtain the most favorable transaction costs possible while minimizing Anheuser-Busch's exposure to market volatility. To achieve this goal the company is willing to forego certain opportunities to participate in favorable market movements.

The following table summarizes the notional value for outstanding derivatives, by risk category and instrument type, at December 31 (in millions):

| | Notional Value | |
|---|---|---|
| | 1996 | 1995 |
| Foreign Currency: | | |
| Forwards | $ 35.3 | $108.5 |
| Options | 209.2 | 208.1 |
| | 244.5 | 316.6 |
| Interest Rate: | | |
| Swaps | 487.4 | 238.0 |
| Commodity: | | |
| Options | 68.3 | 109.9 |
| Swaps | 105.2 | 89.4 |
| Futures | 37.1 | 25.1 |
| | 210.6 | 224.4 |
| Total notional value of outstanding derivatives | $942.5 | $779.0 |

The interest rate swap and currency exchange agreement related to the dual currency notes discussed in Note 9 is included as an interest rate swap in the preceding table.

The following table summarizes the notional value of outstanding foreign currency forward and purchased option contracts, by currency, with a designation of "long" or "short" with respect to the underlying exposure, at December 31 (in millions):

| | Net Underlying Exposure | | Notional Value | |
|---|---|---|---|---|
| | 1996 | 1995 | 1996 | 1995 |
| Japanese yen | Long | Long | $117.9 | $191.8 |
| German mark | Short | Short | 32.9 | 37.1 |
| British pound | Long | Long | 76.5 | 43.9 |
| Other currencies | Long and Short | Long and Short | 17.2 | 43.8 |
| | | | $244.5 | $316.6 |

"Long" indicates the company has foreign currency in excess of its needs. "Short" indicates the company requires additional foreign currency to meet its needs. For commodity derivatives, as a net user of raw materials the company's underlying exposure is naturally short, indicating additional quantities must be obtained to meet anticipated production requirements.

### *Off-Balance-Sheet Risk and Concentration of Credit Risk*

Anheuser-Busch's derivative hedging instruments are primarily carried off-balance-sheet. The company executes these instruments with major financial institutions having high debt ratings and considers the risk of counterparty nonperformance to be remote.

The company does not have a material concentration of accounts receivable or other credit risk.

### *Nonderivative Financial Instruments*

Nonderivative financial instruments included in the Consolidated Balance Sheet are cash, commercial paper and long-term debt. Long-term debt is the only significant financial instrument of the company with a fair value different from its carrying value. See Note 9 for a discussion of the fair value of long-term debt at December 31, 1996 and 1995.

(In millions, except per share data)

| | 1996 | 1995 | 1994 |
|---|---|---|---|
| CONSOLIDATED SUMMARY OF OPERATIONS | | | |
| Barrels of beer sold | 91.1 | 87.5 | 88.5 |
| Sales | $ 12,621.5 | $12,004.5 | $11,705.0 |
| Federal and state excise taxes | 1,737.8 | 1,664.0 | 1,679.7 |
| Net sales | 10,883.7 | 10,340.5 | 10,025.3 |
| Cost of products and services | 6,964.6 | 6,791.0 | 6,492.1 |
| Gross profit | 3,919.1 | 3,549.5 | 3,533.2 |
| Marketing, distribution and administrative expenses | 1,890.0 | 1,756.6 | 1,679.9 |
| Gain on sale of St. Louis Cardinals | 54.7 | — | — |
| Shutdown of Tampa brewery | — | 160.0 | — |
| Restructuring charge | — | — | — |
| Operating income | 2,083.8 (1) | 1,632.9 (2) | 1,853.3 |
| Interest expense | (232.8) | (225.9) | (219.3) |
| Interest capitalized | 35.5 | 24.3 | 21.8 |
| Interest income | 9.4 | 9.9 | 2.6 |
| Other income/(expense), net | (3.0) | 20.5 | 17.6 |
| Income before income taxes | 1,892.9 (1) | 1,461.7 (2) | 1,676.0 |
| Income taxes (current and deferred) | 736.8 | 575.1 | 661.5 |
| Revaluation of deferred tax liability | — | — | — |
| Income from continuing operations | 1,156.1 (1) | 886.6 (2) | 1,014.5 |
| Income/(loss) from discontinued operations | 33.8 | (244.3) | 17.6 |
| Income before cumulative effect of accounting changes | 1,189.9 | 642.3 | 1,032.1 |
| Cumulative effect of changes in the method of accounting for postretirement benefits (FAS 106) and income taxes (FAS 109), net of tax benefit of $186.4 million | — | — | — |
| NET INCOME | $ 1,189.9 | $ 642.3 | $ 1,032.1 |
| PRIMARY EARNINGS PER SHARE: | | | |
| Continuing operations | $ 2.28 | $ 1.72 | $ 1.92 |
| Discontinued operations | .07 | (.48) | .04 |
| Income before cumulative effect | 2.35 | 1.24 | 1.96 |
| Cumulative effect of accounting changes | — | — | — |
| Net income | $ 2.35 | $ 1.24 | $ 1.96 |
| FULLY DILUTED EARNINGS PER SHARE: | | | |
| Continuing operations | $ 2.27 (1) | $ 1.71 (2) | $ 1.90 |
| Discontinued operations | .07 | (.47) | .04 |
| Income before cumulative effect | 2.34 | 1.24 | 1.94 |
| Cumulative effect of accounting changes | — | — | — |
| Net income | $ 2.34 | $ 1.24 | $ 1.94 |
| Cash dividends paid: | | | |
| Common stock | 458.9 | 429.5 | 398.8 |
| Per share | .92 | .84 | .76 |
| Preferred stock | — | — | — |
| Per share | — | — | — |
| Weighted average number of common shares: | | | |
| Primary | 505.8 | 515.7 | 528.2 |
| Fully diluted | 510.6 | 524.4 | 538.0 |

*Note: All per share information and average number of common shares data reflect the September 12, 1996 two-for-one stock split and the September 12, 1986 two-for-one stock split. All financial information has been restated to recognize the 1995 divestiture of the food products segment. All amounts include the acquisition of Sea World as of December 1, 1989. Financial information prior to 1988 has been restated to reflect the 1988 adoption of Financial Accounting Standards No. 94, "Consolidation of Majority-Owned Subsidiaries."*

*(1) 1996 results include the impact of the gain on the sale of the St. Louis Cardinals. Excluding the Cardinal gain, operating income, pretax income, income from continuing operations and fully diluted earnings per share would have been $2,029.1 million, $1,838.3 million, $1,122.7 million and $2.21, respectively.*

*(2) 1995 results include the impact of the one-time pretax charge of $160 million for the closure of the Tampa brewery, and the $74.5 million pretax impact of the beer wholesaler inventory reduction. Excluding these nonrecurring special items, operating income, pretax income, income from continuing operations and fully diluted earnings per share would have been $1,867.3 million, $1,696.2 million, $1,032.3 million and $1.99, respectively.*

| 1993 | 1992 | 1991 | 1990 | 1989 | 1988 | 1987 | 1986 |
|---|---|---|---|---|---|---|---|
| 87.3 | 86.8 | 86.0 | 86.5 | 80.7 | 78.5 | 76.1 | 72.3 |
| $11,147.3 | $11,008.6 | $10,631.9 | $9,716.1 | $8,553.7 | $8,120.5 | $7,605.0 | $7,001.5 |
| 1,679.8 | 1,668.6 | 1,637.9 | 868.1 | 802.3 | 781.0 | 760.7 | 724.5 |
| 9,467.5 | 9,340.0 | 8,994.0 | 8,848.0 | 7,751.4 | 7,339.5 | 6,844.3 | 6,277.0 |
| 6,167.6 | 6,051.8 | 5,953.5 | 5,963.4 | 5,226.5 | 4,878.1 | 4,467.1 | 4,122.7 |
| 3,299.9 | 3,288.2 | 3,040.5 | 2,884.6 | 2,524.9 | 2,461.4 | 2,377.2 | 2,154.3 |
| 1,612.1 | 1,583.7 | 1,409.5 | 1,364.9 | 1,244.3 | 1,245.2 | 1,274.4 | 1,179.9 |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| 401.3 | — | — | — | — | — | — | — |
| 1,286.5 (3) | 1,704.5 | 1,631.0 | 1,519.7 | 1,280.6 | 1,216.2 | 1,102.8 | 974.4 |
| (205.1) | (194.6) | (234.0) | (277.2) | (172.9) | (134.6) | (114.1) | (85.5) |
| 35.2 | 46.9 | 45.6 | 52.5 | 49.8 | 42.9 | 38.9 | 31.0 |
| 3.4 | 4.4 | 6.6 | 4.3 | 7.9 | 9.8 | 12.8 | 9.6 |
| 21.0 | (2.5) | 1.3 | (16.5) | 17.7 | (15.5) | 3.9 | (1.2) |
| 1,141.0 (3) | 1,558.7 | 1,450.5 | 1,282.8 | 1,183.1 | 1,118.8 | 1,044.3 | 928.3 (4) |
| 452.6 | 594.6 | 549.6 | 481.4 | 438.2 | 422.0 | 439.1 | 419.0 |
| 31.2 | — | — | — | — | — | — | — |
| 657.2 (3) | 964.1 | 900.9 | 801.4 | 744.9 | 696.8 | 605.2 | 509.3 (4) |
| (62.7) | 30.1 | 38.9 | 41.0 | 22.3 | 19.1 | 9.5 | 8.7 |
| 594.5 | 994.2 | 939.8 | 842.4 | 767.2 | 715.9 | 614.7 | 518.0 |
| — | (76.7) | — | — | — | — | — | — |
| $ 594.5 | $ 917.5 | $ 939.8 | $ 842.4 | $ 767.2 | $ 715.9 | $ 614.7 | $ 518.0 |
| $ 1.20 | $ 1.69 | $ 1.56 | $ 1.41 | $ 1.30 | $ 1.19 | $ 1.00 | $ .83 |
| (.11) | .05 | .07 | .07 | .04 | .04 | .02 | .02 |
| 1.09 | 1.74 | 1.63 | 1.48 | 1.34 | 1.23 | 1.02 | .85 |
| — | (.13) | — | — | — | — | — | — |
| $ 1.09 | $ 1.61 | $ 1.63 | $ 1.48 | $ 1.34 | $ 1.23 | $ 1.02 | $ .85 |
| $ 1.20 (3) | $ 1.68 | $ 1.56 | $ 1.40 | $ 1.30 | $ 1.19 | $ 1.00 | $ .83 (4) |
| (.11) | .05 | .06 | .07 | .04 | .04 | .02 | .02 |
| 1.09 | 1.73 | 1.62 | 1.47 | 1.34 | 1.23 | 1.02 | .85 |
| — | (.13) | — | — | — | — | — | — |
| $ 1.09 | $ 1.60 | $ 1.62 | $ 1.47 | $ 1.34 | $ 1.23 | $ 1.02 | $ .85 |
| 370.0 | 338.3 | 301.1 | 265.0 | 226.2 | 188.6 | 148.4 | 120.2 |
| .68 | .60 | .53 | .47 | .40 | .33 | .27 | .22 |
| — | — | — | — | — | — | 20.1 | 26.9 |
| — | — | — | — | — | — | 3.23 | 3.60 |
| 548.6 | 571.6 | 575.8 | 569.2 | 572.4 | 584.4 | 603.0 | 613.2 |
| 558.6 | 581.6 | 585.8 | 579.4 | 572.4 | 584.4 | 603.0 | 613.2 |

*(3) 1993 results include the impact of two nonrecurring special charges. These charges are (1) a restructuring charge ($401.3 million pretax) and (2) a revaluation of the deferred tax liability due to the 1% increase in federal tax rates ($31.2 million after-tax). Excluding these nonrecurring special charges, operating income, pretax income, income from continuing operations and fully diluted earnings per share would have been $1,687.8 million, $1,542.3 million, $935.2 million and $1.69, respectively.*

*(4) Effective January 1, 1986, the company adopted the provisions of Financial Accounting Standards No. 87 (FAS 87), "Employers' Accounting For Pensions." The financial effect of FAS 87 adoption was to increase 1986 income before income taxes $33.9 million, income from continuing operations $18 million and earnings per share $.03.*

## Financial Summary — Balance Sheet and Other Information

*Anheuser-Busch Companies, Inc., and Subsidiaries*

(In millions, except per share and statistical data)

| | 1996 | 1995 | 1994 |
|---|---|---|---|
| BALANCE SHEET INFORMATION: | | | |
| Working capital (deficit) | $ 34.9 | $ 268.6 | $ 57.0 |
| Current ratio | 1.0 | 1.2 | 1.0 |
| Plant and equipment, net | 7,208.2 | 6,763.0 | 6,494.6 |
| Long-term debt | 3,270.9 | 3,270.1 | 3,066.4 |
| Total debt to total capitalization ratio | 44.8% | 47.1% | 47.3% |
| Deferred income taxes | 1,208.1 | 1,132.8 | 1,081.5 |
| Convertible redeemable preferred stock | — | — | — |
| Shareholders equity | 4,029.1 | 4,433.9 | 4,415.5 |
| Return on shareholders equity | 30.0% (1) | 25.0% (2) | 29.9% |
| Book value per share | 8.10 | 7.22 | 6.64 |
| Total assets | 10,463.6 | 10,590.9 | 10,547.4 |
| OTHER INFORMATION: | | | |
| Capital expenditures | $ 1,084.6 | $ 952.5 | $ 662.8 |
| Depreciation and amortization | 593.9 | 565.6 | 517.0 |
| Effective tax rate | 38.9% | 39.3% | 39.5% |
| Price/earnings ratio | 17.6 (1) | 19.6 (2) | 13.1 |
| Percent of pretax profit on net sales | 17.4% | 14.1% | 16.7% |
| Market price range of common stock (high-low) | 42 7/8-32 1/2 | 34-25 3/8 | 27 5/8-23 1/2 |

***Note:*** *All share and per share information reflects the September 12, 1996 two-for-one stock split and the September 12, 1986 two-for-one stock split. All financial information has been restated to recognize the 1995 divestiture of the food products segment. All amounts include the acquisition of Sea World as of December 1, 1989. Financial information prior to 1988 has been restated to reflect the adoption in 1988 of Financial Accounting Standards No. 94, "Consolidation of Majority-Owned Subsidiaries."*

*(1) These ratios have been calculated based on reported income from continuing operations, which includes the $54.7 million pretax gain on the sale of the St. Louis Cardinals. Excluding the Cardinal gain, return on shareholders equity would have been 29.2% and the price/earnings ratio would have been 18.1.*

*(2) These ratios have been calculated based on reported income from continuing operations. Excluding the two nonrecurring 1995 items ($160 million pretax charge for closure of the Tampa brewery and $74.5 million impact of the beer wholesaler inventory reduction), return on shareholders equity would have been 29.1% and the price/earnings ratio would have been 16.8.*

*(3) These ratios have been calculated based on reported income from continuing operations. Excluding the two nonrecurring 1993 charges ($401.3 million pretax restructuring charge and $31.2 million after-tax FAS 109 charge), return on shareholders equity would have been 26.7% and the price/earnings ratio would have been 13.8.*

*(4) These ratios have been calculated based on income from continuing operations before the cumulative effect of accounting changes.*

*(5) This percentage has been calculated by including convertible redeemable preferred stock as part of equity, as it was convertible into common stock and traded primarily on its equity characteristics.*

| *1993* | *1992* | *1991* | *1990* | *1989* | *1988* | *1987* | *1986* |
|---|---|---|---|---|---|---|---|
| $ (41.3) | $ 247.8 | $ 107.9 | $ (62.8) | $ (82.8) | $ (23.7) | $ 42.5 | $ 9.3 |
| 1.0 | 1.2 | 1.1 | 0.9 | 0.9 | 1.0 | 1.0 | 1.0 |
| 6,454.7 | 6,424.7 | 6,260.6 | 6,102.2 | 5,768.0 | 4,624.2 | 4,177.4 | 3,478.5 |
| 3,019.7 | 2,630.3 | 2,627.9 | 3,115.8 | 3,268.9 | 1,570.0 | 1,366.4 | 1,097.8 |
| 47.3% | 42.0% | 43.9% | 54.5% | 60.7% | 41.7% | 40.6% | 37.7%(5) |
| 1,013.1 | 1,065.5 | 1,401.0 | 1,309.3 | 1,241.9 | 1,155.8 | 1,123.7 | 1,075.8 |
| — | — | — | — | — | — | — | 286.9 |
| 4,255.5 | 4,620.4 | 4,438.1 | 3,679.1 | 3,099.9 | 3,102.9 | 2,892.2 | 2,313.7 |
| 18.8%(3) | 27.6%(4) | 30.2% | 34.0% | 34.6% | 33.3% | 31.8% | 28.7%(5) |
| 6.31 | 6.51 | 5.90 | 4.60 | 3.74 | 3.87 | 3.40 | 2.83 |
| 10,267.7 | 9,954.9 | 9,642.5 | 9,274.2 | 8,690.1 | 6,788.9 | 6,260.3 | 5,605.0 |
| | | | | | | | |
| $ 656.3 | $ 628.8 | $ 625.5 | $ 805.3 | $ 979.0 | $ 858.1 | $ 716.9 | $ 661.1 |
| 492.7 | 453.3 | 437.0 | 404.3 | 333.1 | 306.5 | 267.9 | 232.0 |
| 42.4% | 38.1% | 37.9% | 37.5% | 37.0% | 37.7% | 42.0% | 45.1% |
| 22.6 (3) | 16.9 (4) | 18.9 | 14.6 | 14.4 | 12.9 | 16.4 | 15.5 |
| 12.1% | 16.7% | 16.1% | 14.5% | 15.3% | 15.2% | 15.3% | 14.8% |
| 30-22 | 30¼-26 | 30¾-19¾ | 22½-17⅛ | 22⅞-15¼ | 17-14½ | 19⅞-13¼ | 14¼-10 |

## Responsibility for Financial Statements

The management of Anheuser-Busch Companies, Inc. is responsible for the financial statements and other information included in this annual report. Management has selected those generally accepted accounting principles it considers appropriate to prepare the financial statements and other data contained herein.

The company maintains accounting and reporting systems, supported by a system of internal accounting control, which management believes are adequate to provide reasonable assurances that assets are safeguarded against loss from unauthorized use or disposition and financial records are reliable for preparing financial statements. During 1996, the company's internal auditors, in conjunction with Price Waterhouse LLP, the company's independent accountants, performed a comprehensive review of the adequacy of the company's internal accounting control system. Based on that comprehensive review, it is management's opinion that the company has an effective system of internal accounting control.

The Audit Committee of the Board of Directors, which consists of eight nonmanagement directors, oversees the company's financial reporting and internal control systems, recommends selection of the company's public accountants and meets with the public accountants and internal auditors to review the overall scope and specific plans for their respective audits. The Committee held five meetings during 1996. A more complete description of the functions performed by the Audit Committee can be found in the company's proxy statement.

The report of Price Waterhouse LLP on its examinations of the Consolidated Financial Statements of the company appears on the next page.

800 Market Street
St. Louis, MO 63101

*Price Waterhouse LLP*

February 3, 1997

To the Shareholders and Board of Directors
of Anheuser-Busch Companies, Inc.

We have audited the accompanying Consolidated Balance Sheet of Anheuser-Busch Companies, Inc. and its subsidiaries as of December 31, 1996 and 1995, and the related Consolidated Statements of Income, Changes in Shareholders Equity and Cash Flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements audited by us present fairly, in all material respects, the financial position of Anheuser-Busch Companies, Inc. and its subsidiaries at December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

Price Waterhouse LLP

## ANHEUSER-BUSCH COMPANIES, INC.

### Strategy Committee (*Member of the Corporate Office)

August A. Busch III*
*Chairman of the Board and President*

Patrick T. Stokes*
*Vice President and Group Executive*

John H. Purnell
*Vice President and Group Executive*

W. Randolph Baker
*Vice President and Chief Financial Officer*

Stephen K. Lambright
*Vice President and Group Executive*

Aloys H. Litteken
*Vice President—Corporate Engineering*

William L. Rammes
*Vice President—Corporate Human Resources*

John B. Roberts
*Chairman of the Board and President—Busch Entertainment Corporation*

Joseph L. Goltzman
*Vice President and Group Executive*

Donald W. Kloth
*Vice President and Group Executive*

John E. Jacob
*Executive Vice President and Chief Communications Officer*

Gerhardt A. Kraemer
*Senior Vice President - World Brewing and Technology*

Thomas W. Santel
*Vice President - Corporate Development*

### Other Officers

Wayman F. Smith III
*Vice President—Corporate Affairs*

Jesse Aguirre
*Vice President—Mexico*

Kenn A. Reynolds
*Vice President—Corporate Research and Development*

Richard F. Keating
*Vice President—National Affairs*

Ellis W. McCracken Jr.
*Vice President and General Counsel*

Royce J. Estes
*Vice President - Corporate Law*

Stephen J. Burrows
*Vice President—International Marketing*

JoBeth G. Brown
*Vice President and Secretary*

Mark Boranyak
*Vice President—State Affairs*

Judith A. Roberts
*Vice President and Executive Assistant to the Chairman of the Board*

Jesus Rangel
*Vice President—Corporate Relations*

James D. Starling
*Vice President and Corporate Representative*

John S. Koykka
*Vice President—International Development*

Francine I. Katz
*Vice President—Consumer Awareness and Education*

Marie C. Carroll
*Vice President—Corporate Financial Planning*

Eric M. Schmitz
*Vice President—Corporate Labor Relations*

Mark T. Bobak
*Vice President—Litigation*

John T. Farrell
*Vice President—Employee Benefits*

Stephen D. LeResche
*Vice President—Public Communications*

Richard C. Socolofsky
*Vice President—Personnel*

John F. Kelly
*Vice President and Controller*

William E. Hickman
*Vice President and Chief Information Officer*

William J. Kimmins
*Treasurer*

John D. Castagno
*Tax Controller*

Gary R. Aldenderfer
*General Auditor*

Laura H. Reeves
*Assistant Secretary*

Richard N. Hill
*Assistant Treasurer*

David C. Sauerhoff
*Assistant Treasurer*

Ronald S. Burkhardt
*Assistant Controller*

William J. Mayor
*Assistant Controller*

## PRINCIPAL OFFICERS OF ANHEUSER-BUSCH COMPANIES SUBSIDIARIES

### Anheuser-Busch, Inc.

*(† Member of the Anheuser-Busch, Inc. Management Committee)*

August A. Busch III
*Chairman of the Board and Chief Executive Officer*

Patrick T. Stokes†
*President*

James F. Hoffmeister†
*Vice President—Administration*

Gary R. Welker†
*Vice President—Distribution Systems and Services*

Anthony T. Ponturo†
*Vice President—Corporate Media and Sports Marketing*

Joseph P. Sellinger†
*Vice President—Operations*

August A. Busch IV†
*Vice President—Marketing*

Joseph P. Castellano†
*Vice President—Wholesale Operations Division*

Phillip J. Colombatto†
*Vice President—Quality Assurance*

Michael J. Brooks†
*Vice President—Sales*

Douglas J. Muhleman†
*Vice President—Brewing*

Gerald C. Thayer†
*Vice President—Finance and Information Systems*

Robert C. Lachky†
*Vice President—Brand Management*

Thomas R. Billen
*Vice President—Business Planning*

James D. Boden
*Vice President—Operations Control*

Joseph V. Corcoran
*Vice President—National On-Premise Sales*

Mark E. Danner
*Vice President—Business Development*

Robert J. Goughenour
*Vice President—Wholesaler Development*

John J. Hanichak III
*Vice President—National Off-Premise Sales*

Heinrich K. Heissinger
*Vice President—Brewing Research and Technology*

Salvatore J. LaMartina
*Vice President—Revenue Management*

Michael J. Owens
*Vice President—Geographic Marketing*

### Anheuser-Busch International, Inc.

John H. Purnell
*Chairman of the Board and Chief Executive Officer*

Stephen J. Burrows
*President and Chief Operating Officer*

John S. Koykka
*Executive Vice President—Development and Chief Financial Officer*

Jesse Aguirre
*Executive Vice President—Mexico*

Robert J. Gunthner
*Vice President and Regional Director—Americas*

Takao Kondo
*Vice President—East Asia Region*

Jan Lambrecht
*Vice President and Regional Director—Continental Europe*

Philip C. Davis
*Vice President and Managing Director—Anheuser-Busch China*

George S. Thomas
*Senior Vice President—Legal Affairs*

Richard H. Faught
*Vice President—International Affairs*

Frederic E. Giersch III
*Vice President and Managing Director—Budweiser Japan Co., Ltd.*

Mark F. Schumm
*Vice President—Planning and Administration*

William H. McNulty
*Vice President and Regional Director—UK/Republic of Ireland*

### Anheuser-Busch Investment Capital Corporation

Patrick T. Stokes
*Chairman of the Board and Chief Executive Officer*

Kenneth W. Reiter
*President*

John L. Hamilton
*Vice President*

### Busch Agricultural Resources, Inc.

Donald W. Kloth
*Chairman of the Board and Chief Executive Officer*

Melvern K. Anderson
*President*

Stephen D. Malin
*Vice President—Operations*

Thomas M. Wood
*Vice President—Technical Operations*

Thomas L. Tangaro
*Vice President—Staff Operations*

### Metal Container Corporation

Joseph L. Goltzman
*Chairman of the Board, President and Chief Executive Officer*

James E. Engelhuber
*Executive Vice President and Chief Operating Officer*

Allan T. Copestick
*Vice President—Sales and Marketing*

Robert F. Wellise
*Senior Vice President—Manufacturing and Technology*

Mark V. Stafford
*Vice President—Quality*

Jerome A. Riley
*Vice President—Human Resources*

Charles Rothofsky
*Vice President—Lid Manufacturing*

William C. Wilkenloh
*Vice President—International Development*

Thomas A. Jenuleson
*Vice President—Finance*

### Anheuser-Busch Recycling Corporation

Joseph L. Goltzman
*Chairman of the Board, President and Chief Executive Officer*

G. Weber Gaskin
*Executive Vice President and Chief Operating Officer*

### Precision Printing and Packaging, Inc.

Joseph L. Goltzman
*Chairman of the Board*

Barry W. Miller
*President*

Lester H. Mangold
*Vice President—Finance and Administration*

Randall D. Jacobs
*Vice President—Marketing and Customer Services*

### Packaging Business Services, Inc.

Joseph L. Goltzman
*Chairman of the Board, President and Chief Executive Officer*

Gary A. Bybee
*Group Vice President and Chief Administrative Officer*

Nancy E. Jakse
*Vice President— Business Development*

### Busch Entertainment Corporation

John B. Roberts
*Chairman of the Board and President*

Melvin L. Bilbo
*Vice President—Operations*

J. Dennis Burks
*Vice President—Food Service*

John J. Schaefer
*Vice President—Finance and Information Technology*

Richard A. Doolittle
*Vice President—Human Resources*

Donald L. Eddings
*Vice President—Merchandise*

Joseph G. Peczi
*Vice President—Entertainment*

Christopher M. Shea
*Vice President—Marketing*

James R. Yust
*Vice President—Engineering*

Andrew P. Fichthorn
*Vice President—Planning and Development*

### Busch Properties, Inc.

William L. Rammes
*Chairman of the Board and President*

John C. Martz Jr.
*Vice President—Corporate Real Estate*

William F. Brown
*Vice President—Busch Corporate Centers*

William B. Voliva
*Vice President—Kingsmill on the James*

Terri A. Haack
*Vice President and General Manager—Kingsmill Resort*

### Busch Creative Services Corporation

Karen L. Branding
*Chairman of the Board, President and Chief Executive Officer*

### St. Louis Refrigerator Car Company; Manufacturers Railway Company

Edward R. Goedeke
*Chairman, President and Chief Executive Officer*

Joel A. Murnin
*Group Vice President and Chief Financial Officer*

## Board of Directors

**August A. Busch III**
*Chairman of the Board and President–Anheuser-Busch Companies, Inc.*
*Joined board 1963*

**Andrew B. Craig III**
*Chairman of the Board–NationsBank Corporation; a multi-bank holding company*
*Joined board 1990*

**Bernard A. Edison**
*Former President–Edison Brothers Stores, Inc.; retail specialty stores*
*Joined board 1985*

**Carlos Fernandez G.**
*Vice Chairman of the Board of Directors–Grupo Modelo, S.A. de C.V.; a Mexican company engaged in brewing and related operations*
*Joined board 1996*

**Peter M. Flanigan**
*Director–Dillon, Read & Co., Inc.; an investment banking firm*
*Joined board 1978*

**John E. Jacob**
*Executive Vice President and Chief Communications Officer–Anheuser-Busch Companies, Inc.*
*Joined board 1990*

**Charles F. Knight**
*Chairman of the Board, President and Chief Executive Officer–Emerson Electric Co.; a manufacturer of electrical and electronic equipment*
*Joined board 1987*

**Vernon R. Loucks Jr.**
*Chairman and Chief Executive Officer–Baxter International Inc.; an international manufacturer and marketer of health-care products, systems and services*
*Joined board 1988*

**Vilma S. Martinez**
*Partner–Munger, Tolles & Olson; attorneys*
*Joined board 1983*

**Sybil C. Mobley**
*Dean of the School of Business and Industry –Florida A&M University*
*Joined board 1981*

**James B. Orthwein**
*Partner–Huntleigh Asset Partners, L.P.; a private investment partnership*
*Joined board 1963*

**Andrew C. Taylor**
*President and Chief Executive Officer–Enterprise Rent-A-Car Company; a national car rental company*
*Joined board 1995*

**Douglas A. Warner III**
*Chairman of the Board and President– J.P. Morgan & Co., Inc. and Morgan Guaranty Trust Company of New York; a international commercial and investment banking firm*
*Joined board 1992*

**William H. Webster**
*Partner–Milbank, Tweed, Hadley & McCloy; attorneys*
*Joined board 1991*

**Edward E. Whitacre Jr.**
*Chairman and Chief Executive Officer–SBC Communications Inc.; a diversified telecommunications company*
*Joined board 1988*

*Advisory Members*

**Richard T. Baker**
*Former Chairman and presently Consultant–Ernst & Ernst (now Ernst & Young); certified publi accountants*
*Joined board 1978*

**Antonino Fernandez R.**
*Chairman and President–Grupo Modelo, S.A. de C.V.; a Mexican company engaged in brewing and related operations*
*Joined board 1993*

## Investor Information

### Anheuser-Busch Companies, Inc.
### World Headquarters

One Busch Place
St. Louis, Mo. 63118
314-577-2000

### Annual Meeting

Wednesday, April 23, 1997, 10 a.m.
Houston, Texas

### Transfer Agent, Registrar and Dividend Payments

Boatmen's Trust Company
510 Locust Street
St. Louis, Mo. 63101
1-800-456-9852 or 314-466-1357

### Dividend Reinvestment Plan

The company's Dividend Reinvestment Plan allows shareholders to reinvest dividends in Anheuser-Busch Companies, Inc. common stock automatically, regularly and conveniently—without service charges or brokerage fees. In addition, participating shareholders may supplement the amount invested with voluntary cash investments on the same cost-free basis. Plan participation is voluntary and shareholders may join or withdraw at any time. For more information, contact Boatmen's Trust Company (address above).

| Stock Exchange Listings | | Traded on These Exchanges | |
|---|---|---|---|
| New York | Paris | Boston | Pacific |
| London | Swiss | Chicago | Philadelphia |
| Frankfurt | Tokyo | Cincinnati | |

Ticker Symbol: **BUD**
Newspaper Listing: **AnheuserB**

### Independent Accountants

Price Waterhouse LLP
800 Market Street
St. Louis, Mo. 63101

### Trustee for Debentures and Notes

The Chase Manhattan Bank
450 West 33rd St.
New York, N.Y. 10001
1-800-648-8380

### Dividends

Dividends are normally paid in the months of March, June, September and December.

### Other Information

Earnings results and dividend declarations will be announced on the following dates in 1997: April 23, July 23 and October 22.

You may obtain, at no charge, a copy of Anheuser-Busch Companies Annual Report to the Securities and Exchange Commission (Form 10-K) by writing to the Vice President and Secretary's office at the corporate address, or call 314-577-3889.

Copies of the corporation's "Fact Book," which contains general information about the company, may be obtained by writing to Corporate Communications, Anheuser-Busch Companies, Inc., One Busch Place, St. Louis, Mo. 63118

### Anheuser-Busch Internet Addresses

http://budweiser.com
http://www.hopnotes.com
http://www.budice.com
http://www.seaworld.org
http://www.seaworld.com
http://www.buschgardens.com

### General Information by Phone (toll-free)

1-800-DIAL-BUD (1-800-342-5283)

## Anheuser-Busch Companies Subsidiaries

**Anheuser-Busch, Inc.**
World's largest brewer and U.S. industry leader since 1957; produces approximately 30 beers and two nonalcohol brews at 12 U.S. breweries and imports four other beers

**Anheuser-Busch International, Inc.**
Explores and develops beer markets outside the U.S.

**Anheuser-Busch Investment Capital Corporation**
Shares equity positions with qualified partners in Anheuser-Busch, Inc. distributorships while partners build toward total ownership

**Anheuser-Busch Recycling Corporation**
World's largest recycler of aluminum beverage containers

**Busch Agricultural Resources, Inc.**
Produces and enhances the quality of raw materials used by Anheuser-Busch, Inc.

**Busch Creative Services Corporation**
A marketing and business communications company

**Busch Entertainment Corporation**
One of the largest U.S. theme park operators, with nine parks throughout the country

**Busch Properties, Inc.**
A real estate development company with resort, residential and commercial properties in selected areas of the country

**Manufacturers Railway Company**
Provides terminal rail-switching services to St. Louis industries

**Metal Container Corporation**
Produces cans and lids for Anheuser-Busch, Inc. and U.S. soft drink companies

**Packaging Business Services, Inc.**
Provides administrative services and develops existing and new businesses for the packaging group

**Precision Printing and Packaging, Inc.**
Produces metalized labels for Anheuser-Busch and other customers and folding cartons for a variety of industries

**St. Louis Refrigerator Car Company**
Provides commercial repair, rebuilding, maintenance and inspection of railroad cars

*The 1996 Anheuser-Busch Companies Annual Report is printed on recycled paper.*

*Produced by the Corporate Communications Department*
*Designed by Busch Creative Services Corporation*